

leases or otherwise grants the right to use such property, asset or interest (or other property, which X intends to use for the same or a similar purpose) to X (or nominee of X), whether or not in connection therewith X also acquires a right or is subject to an obligation to acquire the property, asset or interest, and regardless of the accounting treatment of such arrangement.

**"Sanctioned Entity"** means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, or (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country Sanctions program administered and enforced by: (i) OFAC; (ii) any Canadian Governmental Body; (iii) the Member States of the European Union; or (iv) the States of Jersey.

**"Sanctioned Person"** means, (a) any Person listed in any sanctions-related list of designated persons maintained by any Canadian Governmental Body, (b) a Person named on the list of Specially Designated Nationals maintained by OFAC, (c) a Person named on the list of designated persons maintained by the Council of the European Union, (d) a Person named on the list of designated persons maintained by the each Member State of the European Union or (e) a Person named on the list of designated persons maintained by the Jersey Financial Services Commission.

**"Sanctions"** means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC, any Canadian Governmental Body, the Member States of the European Union or the States of Jersey.

**"Second Deposit"** has the meaning set out in Section 3.1(a)(ii).

**"Second Deposit Date"** has the meaning set out in Section 3.1(a)(ii).

**"Second Deposit Deadline"** means September 30, 2016.

**"Second Stage Security Deadline"** means the date which is two months from the Execution Date.

**"Second Stage Security Documents"** means the Security Documents described in Section 9.3(a).

**"Securities Laws"** means all applicable securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, orders, blanket rulings and other regulatory instruments of the Securities Regulators, and all rules and policies of the Toronto Stock Exchange and any other stock exchange on which securities of Lydian are traded.

**"Securities Regulators"** means, collectively, the securities regulators or other securities regulatory authorities in each of the provinces and territories of Canada in which Lydian is a reporting issuer and in any other jurisdictions whose Securities Laws are applicable to Lydian.

**"Security"** means the Encumbrances granted in favour of the Collateral Agent pursuant to the Security Documents.

**"Security Documents"** means any Guarantees in favour of the Purchasers' Agent in respect of the Stream Obligations, the General Security Agreements, the Share Pledge Agreements, the Initial Armenian Security Documents, the Pledge of Rights and any other security documents held from time to time by the Collateral Agent securing or intended to secure performance of the Stream Obligations, including the security described in Sections 9.1 and 9.2.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators.

**"Seller Event of Default"** has the meaning set out in Section 11.1.

**"Share Pledge Agreement"** means an agreement pursuant to which a Guarantor pledges its equity interests in the Seller or any other Guarantor in favour of the Collateral Agent, including the BVI Pledge Agreements and the Pledge of Shares.

**"Silver Market Price"** means, with respect to any day, the daily per ounce LBMA Silver Price in U.S. dollars quoted by the London Bullion Market Association (currently in partnership with CME Group and Thomson Reuters) for Refined Silver on such day or, if such day is not a trading day, the immediately preceding trading day; provided that, if the LBMA Silver Price is no longer quoted by the London Bullion Market Association, the Silver Market Price shall be determined by reference to the price of Refined Silver in the manner endorsed by the London Bullion Market Association, failing which the Silver Market Price will be determined by reference to the price of Refined Silver on a commodity exchange mutually acceptable to the Seller and the Purchasers' Agent, acting reasonably.

**"Silver Purchase Price"** has the meaning set out in Section 2.6.

**"Stream Documents"** means this Agreement, the Security Documents, the Credit Facility Intercreditor Agreement, the Equipment Financing Intercreditor Agreements, the Newmont Subordination Agreement and Subordination and Postponement of Claims and all other agreements, instruments and documents from time to time (both before and after the date of this Agreement) delivered to the Purchasers or the Purchasers' Agent for the benefit of the Purchaser in connection with this Agreement or the other Stream Documents.

**"Stream Obligations"** means all indebtedness, liabilities and other obligations owed to the Purchasers hereunder or under any other Stream Document, whether actual or contingent, direct or indirect, matured or not, now existing or hereafter arising.

**"Subordinated Intercompany Debt"** means any debts, liabilities or obligations owing by the Seller or a Guarantor to any Lydian Group Member, on any account and in any capacity, subordinated in accordance with the provisions of the Subordination and Postponement of Claims.

**“Subordination and Postponement of Claims”** means a subordination and postponement of claims in favour of the Collateral Agent in respect of Subordinated Intercompany Debt pursuant to which, among other things, the holder of such Subordinated Intercompany Debt agrees that such Subordinated Intercompany Debt will be subordinated and postponed to the Stream Obligations and that (i) no interest or principal in respect of such Subordinated Intercompany Debt shall be payable, (ii) no Encumbrances have been or will be taken by the holder of such Subordinated Intercompany Debt, and (iii) no remedies will be exercised by the holder of such Subordinated Intercompany Debt, in each case while any Stream Obligations remain outstanding, and which shall otherwise be in form and substance satisfactory to the Collateral Agent, acting reasonably.

**“Subscription Agreements”** means the Subscription Agreements to be entered into by Lydian and the Purchasers, their Affiliate(s) and/or assignees, as applicable, in connection with the Private Placement, substantially in the form attached as Schedule O.

**“Subsidiary”** means with respect to any Person, any other Person which is Controlled directly or indirectly by that Person.

**“Tax Returns”** means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes, including any schedule or attachment thereto or amendment thereof.

**“Taxes”** means all present and future taxes (including, for certainty, real property taxes), levies, imposts, stamp taxes, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Body, including any interest, additions to tax or penalties applicable thereto.

**“Technical Committee”** means the committee established pursuant to Article 7.

**“Technical Report”** means the technical report titled “NI 43-101 Technical Report, Amulsar Value Engineering and Optimization, Armenia”, dated November 20, 2015 and effective November 6, 2015, and prepared for Lydian by Samuel Engineering Inc.

**“Term”** has the meaning set out in Section 4.1(a).

**“Term Facility B”** has the meaning set out in the Credit Agreement.

**“Term Facility B Maturity Date”** has the meaning set out in the Credit Agreement.

**“Third Deposit”** has the meaning set out in Section 3.1(b).

**“Third Deposit Amount”** has the meaning set out in Section 3.1(b).

**“Third Deposit Date”** has the meaning set out in Section 3.1(b).

**“Third Deposit Option”** has the meaning set out in Section 3.1(b).

**"Third Deposit Period"** has the meaning set out in Section 3.1(b).

**"Third Party"** has the meaning set out in Section 6.8(a)(i).

**"Time of Delivery"** has the meaning set out in Section 2.3(a).

**"Transfer"** means to, directly or indirectly, sell, transfer, assign, convey, dispose or otherwise grant a right, title or interest (including expropriation or other transfer required or imposed by law or any Governmental Body), whether voluntary or involuntary.

**"Unanimous Purchasers"** means, at any time, all of the Purchasers at such time.

**"Uncredited Balance"** means, at any time, the uncredited balance of the Deposit determined in accordance with this Agreement.

**"Unpaid Deposit"** has the meaning set out in Section 12.1.

**"Warrant Certificates"** means the certificates providing for the warrants issuable under the Credit Agreement.

## **1.2 Certain Rules of Interpretation**

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires:

- (a) The terms "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof.
- (b) References to an "Article", "Section" or "Schedule" followed by a number or letter refer to the specified Article or Section of or Schedule to this Agreement.
- (c) Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) References to a Party in this Agreement mean the Party or its successors or permitted assigns.
- (e) Where the word "including" or "includes" is used in this Agreement, it means "including without limitation" or "includes without limitation".
- (f) The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (g) Words importing the singular include the plural and vice versa and words importing gender include all genders.



- (h) A reference to an agreement includes all schedules, exhibits and other appendices attached thereto and shall include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement.
- (i) A reference to a statute includes all regulations made pursuant to and rules promulgated under such statute and, unless otherwise specified, any reference to a statute or regulation includes the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation from time to time.
- (j) Time is of the essence in the performance of the Parties' respective obligations under this Agreement.
- (k) In this Agreement a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (New York City time) on the last day of the period. Whenever any payment is required to be made, action is required to be taken or period of time to expire on a day other than a Business Day, such payment shall be made, action shall be taken or period shall expire on the next following Business Day.
- (l) Unless specified otherwise in this Agreement, all statements or references to dollar amounts in this Agreement are to United States of America dollars.
- (m) References to an "ounce" are to a troy ounce (being equal to 31.1034768 grams).

### **1.3 Accounting Principles**

Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purposes of this Agreement, including the contents of any certificate to be delivered hereunder, such determination, consolidation or computation shall, unless the Parties otherwise agree or the context otherwise requires, be made in accordance with IFRS.

### **1.4 Interest Act**

For the purposes of the *Interest Act* (Canada) and disclosure under such statute, whenever interest to be paid under this Agreement or any other Stream Document is to be calculated on the basis of a year of three-hundred sixty (360) days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or such other period of time, as the case may be.

### **1.5 Maximum Rate of Interest**

Notwithstanding anything herein or in any of the other Stream Documents to the contrary, in the event that any provision of this Agreement or any other Stream Document would oblige the

Seller to make any payment of interest or other amount payable to the Purchasers in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Purchasers of interest at a criminal or prohibited rate (as such terms are construed under the *Criminal Code* (Canada) or any other Applicable Law), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with the same effect as if adjusted at the Closing Date to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Purchasers of interest at a criminal or prohibited rate, such adjustment to be effected to the extent necessary in each case, as follows:

- (a) by reducing any fees and other amounts which would constitute interest for the purposes of Section 347 of the *Criminal Code* (Canada) or any other Applicable Law;
- (b) by reducing the amount or rate of interest exigible under Section 14.3; and
- (c) any amount or rate of interest referred to in this Section 1.5 shall be determined in accordance with generally accepted actuarial practices and principles over the maximum term of this Agreement (or over such shorter term as may be required by Section 347 of the *Criminal Code* (Canada) or any other Applicable Law) and, in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Purchasers' Agent shall be conclusive for the purposes of such determination, absent manifest error.

#### 1.6 No Subordination

The use of the term "Permitted Encumbrances" to describe any interests and Encumbrances permitted hereunder shall mean that they are permitted to exist (whether in priority to or subsequent in priority to the Security, as determined by Applicable Law), and shall not be interpreted as meaning that such interests and Encumbrances are entitled to priority over the Security.

#### 1.7 Jersey Terms

In this Agreement, where it relates to a Jersey entity, a reference to:

- (a) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer includes the Viscount of the Royal Court of Jersey or Autorisés;
- (b) any analogous step or procedure being taken in connection with insolvency, includes: (i) any step taken in connection with the commencement of proceedings towards the making of a declaration of *en désastre* in respect of any assets of such entity (or the making of such a declaration); (ii) any procedure referred to in Article 125 of the Companies (Jersey) Law 1991; (iii) any procedure or process referred to in Part 21 of the Companies (Jersey) Law 1991; and (iv) any procedure or proceedings in relation to an entity becoming "bankrupt" within the meaning of Article 8 of the Interpretation (Jersey) Law 1954;

- (c) any insolvency, winding-up, administration or similar proceedings includes: (i) *désastre* and any proceedings in connection with *désastre*; (ii) any procedure or proceedings referred to in Article 125 of the Companies (Jersey) Law 1991; and (iii) an entity becoming “bankrupt” within the meaning of the Interpretation (Jersey) Law 1954; and
- (d) security or a security interest includes: (i) any *hypothèque* whether granted or arising by operation of law; and any security interest created pursuant to the Security Interests (Jersey) Law 2012.

## 1.8 Schedules

The following schedules are attached to and form part of this Agreement:

Schedule A	- Form of Annual Compliance Certificate
Schedule B	- Form of Commercial Production Date Certificate
Schedule C	- Purchasers
Schedule D	- Form of Completion Date Certificate
Schedule E	- Construction Budget
Schedule F	- Intercreditor Principles (Equipment Financing)
Schedule G	- Material Contracts
Schedule H	- Material Project Agreements
Schedule I	- Material Project Authorizations
Schedule J	- Project Agreements
Schedule K	- Project Schedule
Schedule L	- Purchaser Assignment Agreement
Schedule M	- Other Real Property
Schedule N	- Royalties
Schedule O	- Form of Subscription Agreement
Schedule P	- Use of First Deposit
Schedule Q	- Lydian and Seller Representations and Warranties
Schedule R	- Purchaser Representations and Warranties
Schedule S	- [Intentionally Blank]
Schedule T	- Consents
Schedule U	- Corporate Structure
Schedule V	- Principal Place of Business and Other Locations
Schedule W	- Bank Accounts

Schedule X	- Taxes
Schedule Y	- Project Real Property
Schedule Z	- [Intentionally Blank]
Schedule AA	- Solvency
Schedule BB	- Community Matters

## **ARTICLE 2 PURCHASE AND SALE**

### **2.1 Purchase and Sale of Refined Gold and Refined Silver**

- (a) Subject to and in accordance with the terms of this Agreement, during the Term, the Seller hereby agrees to sell to each Purchaser, and each Purchaser hereby agrees to purchase from the Seller, in respect of each Outturn:
  - (i) an amount of Refined Gold equal to the Purchaser's Share of the Designated Gold Percentage, free and clear of all Encumbrances, until the Aggregate Gold Quantity has been delivered to the Purchasers under this Agreement; and
  - (ii) an amount of Refined Silver equal to the Purchaser's Share of the Designated Silver Percentage, free and clear of all Encumbrances, until the Aggregate Silver Quantity has been delivered to the Purchasers under this Agreement.
- (b) The amount of Refined Gold and Refined Silver to be delivered by the Seller to the Purchasers under this Agreement shall be measured by the amount of Refined Gold and Refined Silver credited to the Seller in each Outturn. For greater certainty, the Purchasers shall not be responsible for any refining, treatment or other charges, penalties, insurance, deductions, transportation, settlement, financing, price participation charges or other charges, penalties, deductions, set-offs, Taxes or expenses pertaining to and/or in respect of the Refined Gold and Refined Silver purchased by it hereunder, all of which shall be for the account of the Seller.

### **2.2 Product Specifications**

- (a) The Refined Gold and Refined Silver delivered by the Seller to the Purchasers pursuant to this Agreement need not come from gold or silver physically produced at the Project, provided that the Seller shall not sell or deliver to the Purchasers (for the purposes of this Agreement and at any time during the Term) any Refined Gold or Refined Silver that has been directly or indirectly purchased on a commodity exchange.

- (b) The Refined Gold and Refined Silver to be delivered by the Seller to the Purchasers pursuant to this Agreement shall conform in all respects with the London Bullion Market Association specifications for good delivery, and the Purchasers shall not be required to purchase any Refined Gold or Refined Silver that does not meet such specifications.
- (c) If the London Bullion Market Association ceases to exist or ceases to publish rules for the good delivery of gold and/or silver or such rules should no longer be internationally recognized as the basis for good delivery of gold and/or silver, the Purchasers' Agent may designate, for purposes of this Agreement, a new basis for determining good delivery of Refined Gold and Refined Silver. Until the Purchasers' Agent makes such designation, deliveries of Refined Gold and Refined Silver by the Seller to the Purchasers under this Agreement shall conform to the last set of rules for good delivery in effect under this Agreement immediately prior to the time such rules ceased to be published or recognized.

### 2.3 Delivery Obligations

- (a) On the date of each Outturn, the Seller shall sell and deliver to the Purchasers the Refined Gold and Refined Silver in respect of such Outturn as determined in accordance with Section 2.1. The applicable amount of Refined Gold and Refined Silver shall be delivered to each of the Purchasers by way of credit (in metal) to the respective metal account or accounts in London designated by the Purchasers, with the metal account or accounts of each Purchaser to be specified by such Purchaser by electronic communication to the Seller from time to time. Delivery by the Seller of the applicable amount of Refined Gold and Refined Silver to the Purchasers shall be deemed to have been made at the time and on the date Refined Gold and Refined Silver are respectively credited to the designated metal accounts of the Purchasers (the "**Time of Delivery**" on the "**Date of Delivery**").
- (b) Title to, and risk of loss of, Refined Gold and Refined Silver shall pass from the Seller to the applicable Purchaser at the Time of Delivery.
- (c) All costs and expenses pertaining to each delivery of Refined Gold and Refined Silver to the Purchasers shall be borne by the Seller.
- (d) The Seller hereby represents and warrants to and covenants with the Purchasers that, immediately prior to the Time of Delivery (i) the Seller will be the sole legal and beneficial owner of the Refined Gold and Refined Silver credited to a metal account of a Purchaser, (ii) the Seller will have good, valid and marketable title to such Refined Gold and Refined Silver, and (iii) such Refined Gold and Refined Silver will be free and clear of all Encumbrances (other than the Security or Permitted Encumbrances specified in clause (ix) of that definition).

### 2.4 Delivery Notifications and Invoicing

- (a) Promptly, and in any event no later than 24 hours, after each shipment of Minerals from the Processing Facilities to the Refinery, the Seller shall send the Purchasers,

by email (at the email addresses specified by the Purchasers from time to time), notice of such shipment, including the date of shipment and the weight and fineness (if estimated) of the doré bars so shipped.

- (b) Promptly, and in any event no later than 24 hours, after receipt thereof by the Seller, the Seller shall send the Purchasers, by email (at the email addresses specified by the Purchasers from time to time), a copy or notice of, as applicable, all documents and information received from the Refinery related to the processing of Minerals shipped to the Refinery, including expected date of the Outturn, sampling/assay information, umpire reports (if any), invoices and other settlement documents, unless the sharing of such information or documentation is restricted by applicable confidentiality restrictions or Applicable Laws.
- (c) The Seller shall notify the Purchasers by email (at the email addresses specified by the Purchasers from time to time), at least two Business Days prior to each Outturn, of the Date of Delivery, the number of ounces of Refined Gold and Refined Silver to be sold to each Purchaser and, in accordance with Sections (d)(iv), 2.6 and 2.7, as applicable, the estimated net number of ounces of Refined Gold and Refined Silver to be credited to each Purchaser on the Date of Delivery.
- (d) On the date of each Outturn, the Seller shall deliver an invoice to each Purchaser that shall include:
  - (i) a calculation of the number of ounces of Refined Gold and Refined Silver sold and delivered to such Purchaser and, if different, a calculation of the number of ounces of Refined Gold and Refined Silver credited to such Purchaser;
  - (ii) the Date of Delivery and Time of Delivery; and
  - (iii) the Gold Purchase Price for Refined Gold and Silver Purchase Price for Refined Silver sold and delivered to such Purchaser; and
  - (iv) such other information as may be reasonably requested by the Purchaser to allow such Purchaser to verify all aspects of the delivery of Refined Gold and Refined Silver reflected in such invoice.

## 2.5 Gold Purchase Price

The purchase price (the “**Gold Purchase Price**”) for each ounce of Refined Gold sold and delivered by the Seller to the Purchasers under this Agreement shall be equal to:

- (a) until the Deposit Reduction Date, the Gold Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Gold, payable (i) in cash or by wire transfer equal to the amount of the lesser of the Fixed Gold Price and the Gold Market Price on the Date of Delivery, and (ii) if such Gold Market Price is greater than the Fixed Gold Price, the excess will be payable by crediting an amount equal to the difference between such Gold Market Price and the Fixed

Gold Price against the Deposit in order to reduce the Uncredited Balance until it has been credited and reduced to nil; and

- (b) after the Deposit Reduction Date, the lesser of the Fixed Gold Price and the Gold Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Gold, payable in cash or by wire transfer.

## **2.6 Silver Purchase Price**

The purchase price (the “**Silver Purchase Price**”) for each ounce of Refined Silver sold and delivered by the Seller to the Purchasers under this Agreement shall be equal to:

- (a) until the Deposit Reduction Date, the Silver Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Silver, payable (i) in cash or by wire transfer equal to the amount of the lesser of the Fixed Silver Price and the Silver Market Price on the Date of Delivery, and (ii) if such Silver Market Price is greater than the Fixed Silver Price, the excess will be payable by crediting an amount equal to the difference between such Silver Market Price and the Fixed Silver Price against the Deposit in order to reduce the Uncredited Balance until it has been credited and reduced to nil; and
- (b) after the Deposit Reduction Date, the lesser of the Fixed Silver Price and the Silver Market Price on the Business Day immediately preceding the Date of Delivery of such Refined Silver, payable in cash or by wire transfer.

## **2.7 Payment**

Payment by each Purchaser of the aggregate Gold Purchase Price and/or Silver Purchase Price for each delivery of Refined Gold and/or Refined Silver to such Purchaser shall be made (a) on the Business Day following the receipt of the Refined Gold and/or Refined Silver in such Purchaser's metal account, and (b) to a bank account of the Seller designated in accordance with Section 14.1, provided that, at any time, any Purchaser may provide notice to the Seller with respect to one or more deliveries that any payments required to be made by such Purchaser hereunder shall instead be offset against, and on the same day as, the applicable delivery of Refined Gold and/or Refined Silver by the Seller to such Purchaser. Any such offsets pursuant to this Section 2.7 shall be at the Gold Market Price or Silver Market Price, as applicable, on the Business Day immediately preceding the Date of Delivery.

## **2.8 Reduction Election**

- (a) The Seller may elect to reduce the amount of Refined Gold and Refined Silver to be delivered and sold by the Seller to the Purchasers under this Agreement by 50% on either the second anniversary or the third anniversary of the Commercial Production Date. The Seller shall exercise such election by providing written notice thereof to the Purchasers at least 30 days in advance of the applicable anniversary date.

- (b) If the Seller makes the reduction election effective as of the second anniversary of the Commercial Production Date, the Seller shall make a cash payment of \$55,000,000 to the Purchasers (*pro rata* based on their respective Purchaser's Share) on the date of such second anniversary. If the Seller makes the reduction election effective as of the third anniversary of the Commercial Production Date, the Seller shall make a cash payment of \$50,000,000 to the Purchasers (*pro rata* based on their respective Purchaser's Share) on the date of such third anniversary.
- (c) Upon the applicable amount referred to in Section 2.8(b) being received by the Purchasers (with the date of receipt being referred to herein as the "**Reduction Date**"):
  - (i) the "Aggregate Gold Quantity" shall be reduced from 142,454 ounces of Refined Gold to that number of ounces equal to (i) 71,227, plus (ii) 50% multiplied by the number of ounces of Refined Gold delivered to the Purchasers pursuant to this Agreement immediately prior to the Reduction Date;
  - (ii) the "Aggregate Silver Quantity" shall be reduced from 694,549 ounces of Refined Silver to that number of ounces equal to (i) 347,274.5, plus (ii) 50% multiplied by the number of ounces of Refined Silver delivered to the Purchasers pursuant to this Agreement immediately prior to the Reduction Date;
  - (iii) the "Designated Gold Percentage" shall be reduced from 6.75% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery to 3.375%;
  - (iv) the "Designated Silver Percentage" shall be reduced from 100% of the number of ounces of Refined Silver produced from Minerals and credited to the Seller by the Refinery to 50%; and
  - (v) the Seller shall be deemed to have returned \$30,000,000 of the Deposit to the Purchasers, and the Uncredited Balance shall be deemed to be reduced by such amount.

### ARTICLE 3 DEPOSIT PAYMENT

#### 3.1 Deposit

- (a) In consideration for the respective promises and covenants of the Seller contained herein, including the sale and delivery by the Seller to the Purchasers of Refined Gold and Refined Silver, the Purchasers hereby agree to pay, and the Seller hereby agrees to accept, a cash deposit in the amount of \$60,000,000 (the "**Deposit**") against, and as a prepayment of, the Gold Purchase Price and the Silver Purchase Price. Subject to the conditions in Sections 3.3 and 3.4, as applicable, the Deposit shall be paid to the Seller in two instalments as follows:

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- (i) the first deposit (the **"First Deposit"**) in the amount of \$25,000,000 shall be paid by the Purchasers (based on their respective Commitments for the First Deposit) as follows:
    - (A) half of the First Deposit shall be paid on the Closing Date, subject to the satisfaction of the conditions set forth in Section 3.3; and
    - (B) the remaining half of the First Deposit shall be paid either (1) on the Closing Date, if the Armenian Share Pledge Condition is satisfied on or before the Closing Date, or (2) otherwise, within two Business Days following the satisfaction of the Armenian Share Pledge Condition and subject to the satisfaction of the following additional conditions:
      - as at the payment date: (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct as if made on and as of the payment date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date; (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement; (iii) no Material Adverse Effect shall have occurred since the Execution Date; and (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing; and
      - a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the payment date and addressed to the Purchasers, certifying the matters set forth in the paragraph above; and
  - (ii) the second deposit (the **"Second Deposit"**) in the amount of \$35,000,000 shall be paid by the Purchasers (based on their respective Commitments for the Second Deposit) on a date (the **"Second Deposit Date"**) not earlier than three months after the Execution Date and no later than the Second Deposit Deadline to be selected by the Seller, upon at least 30 days' written notice to the Purchasers, subject to Section 3.1(b) and to the satisfaction of the conditions set forth in Section 3.5.
- (b) The Purchasers shall have the option (the **"Third Deposit Option"**), at their mutual election, during the period (**"Third Deposit Period"**) commencing on the Term Facility B Maturity Date and (except as provided below) ending ten (10) Business Days thereafter, to pay a third deposit (the **"Third Deposit"**) to the Seller in the amount of \$8,000,000 (the **"Third Deposit Amount"**) (based on \$5 million to be paid by Osisko Bermuda Limited and \$3 million to be paid by

Resource Capital Fund VI L.P), which amount may be paid in part or in full by applying any amounts owing to the Purchasers under the Term Facility B towards the payment of the Third Deposit. In the event the amounts owing to the Purchasers under the Term Facility B are less than the Third Deposit Amount then the Purchasers shall have the option during the Third Deposit Period to make an additional one-time payment to the Seller for the balance. The date on which the Third Deposit Amount is fully paid to the Seller shall be the "**Third Deposit Date**" for purposes of this Agreement. In the event of a proposed Change of Control of the Seller or any Guarantor, the Purchasers shall provide notice to the Seller by no later than ten (10) Business Days prior to the closing of the Change of Control (or prior to the expiry of the bid where the Change of Control is the result of a take-over bid) if the Purchasers wish to exercise the Third Deposit Option on the date of the closing of the Change of Control, which notice shall be binding upon the Purchasers. Notwithstanding the foregoing, the Purchasers shall not have the benefit of the Third Deposit Option if the Term Facility B Maturity Date has occurred as a result of a Change of Control of the Seller or any Guarantor and the buyer in connection with such Change of Control (or the Seller, any Guarantor or any other Person as designated by the buyer) has purchased the Stream Obligations from the Purchasers.

- (c) Notwithstanding any other provision of this Agreement, the Purchasers shall have no obligation to fund the Second Deposit (and the Commitments of the Purchasers in respect thereof shall be terminated) if the Second Deposit Date has not occurred by the Second Deposit Deadline as a result of the conditions in Section 3.5 not having been satisfied. In the event that less than all of the Deposit is funded in accordance with the terms and conditions of this Agreement, for all purposes of this Agreement the term "Deposit" shall be deemed to mean only that portion of the Deposit that has been funded.
- (d) No interest will be payable by the Seller on or in respect of the Deposit except as expressly provided in this Agreement.
- (e) The Seller shall, at all times, maintain a record of the Uncredited Balance, reflecting each payment of an instalment of the Deposit and each credit against or reduction of the Deposit and the dates of such payments, credits and reductions. The Seller shall, upon request of any Purchaser, provide such Purchaser with a copy of such record.

### 3.2 Use of Deposit

- (a) The Seller shall use the First Deposit only for the purposes set out in and otherwise in accordance with Schedule P. The Seller shall use the Second Deposit only for Project Costs incurred in accordance with the Mine Plan and Construction Budget.
- (b) Notwithstanding any other provision of this Agreement, neither the Seller nor Lydian shall, and Lydian shall not permit any Guarantor to, transfer more than

\$1,000,000 of the proceeds of the First Deposit to any account in Armenia, until the Armenian Share Pledge Condition shall have been satisfied.

### 3.3 Conditions Precedent to First Deposit in Favour of the Purchaser

The obligations of the Purchasers to fund the First Deposit pursuant to Section 3.1(a)(i) shall be subject to the following conditions having been satisfied:

- (a) as at the Closing Date:
  - (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct as if made on and as of the Closing Date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date;
  - (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement;
  - (iii) no Material Adverse Effect shall have occurred since the Execution Date; and
  - (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing;
- (b) a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Closing Date and addressed to the Purchasers, certifying the matters set forth in (a) above;
- (c) the Purchasers' Agent shall have received a certificate of status, good standing or compliance (or equivalent) for each Lydian Group Member issued by the relevant Governmental Body dated not earlier than the Business Day prior to the Closing Date;
- (d) a senior officer of each Lydian Group Member shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Closing Date and addressed to the Purchasers, as to (i) its constating documents; (ii) the resolutions of its board of directors (or equivalent) authorizing the execution, delivery and performance of this Agreement and the other Stream Documents to which it is party and the transaction contemplated hereby and thereby; and (iii) the names, positions and true signatures of the persons authorized to sign this Agreement and the other Stream Documents on its behalf;

- (e) the Purchasers' Agent shall have received a copy of all Project Agreements, Project Authorizations and Material Contracts that have been obtained or entered into as of the Closing Date;
- (f) the Seller shall have demonstrated that submissions shall be made no later than December 31, 2015 to the Ministry of Energy and Natural Resources of the Republic of Armenia to amend Mining Permit SHATV-29/245 to extend the construction period and to update the Mining Right and the Environmental Impact Assessment in respect of the Project to reflect the construction period and mine design contemplated by the Technical Report;
- (g) the Credit Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (h) the Credit Facility Intercreditor Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (i) the Offtake Agreement shall have been executed and delivered by the Lydian Group Members party thereto and be in full force and effect, subject to the terms thereof;
- (j) the Newmont Subordination Agreement shall have been executed and delivered by the parties thereto and be in full force and effect;
- (k) the Closing Date (as defined in the Credit Agreement) shall have occurred or shall occur on the same date as the Closing Date hereunder;
- (l) the Closing Date Security Documents shall have been executed and delivered by the Lydian Group Members, as applicable, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, and the Closing Date Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Closing Date Security Documents (it being acknowledged that the execution and delivery by Lydian and Lydian Resources Armenia Limited of the Pledge of Shares, the registration filing or recording thereof in all offices, and the taking of all actions, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Pledge of Shares, together with the delivery of a legal opinion in respect thereof as contemplated by paragraph (n) below (collectively, the "**Armenian Share Pledge Condition**"), may be satisfied after the Closing Date, subject to Section 3.1(a)(i)(B));
- (m) the Purchasers' Agent shall have received certificates of insurance evidencing compliance with Section 6.6(a);
- (n) the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to Purchasers' Agent, acting reasonably, of legal counsel addressed to

the Purchasers relating to (A) the legal status of the Lydian Group, (B) the corporate power and authority of the Lydian Group Members to execute, deliver and perform this Agreement and the other Stream Documents to which each is a party, as applicable, (C) the authorization, execution and delivery of this Agreement and the other Stream Documents by the Lydian Group Members, as applicable, (D) the enforceability of this Agreement and the other Stream Documents against the Lydian Group Members, as applicable, (E) the due registration or filing of the Closing Date Security Documents and, where applicable, the perfection of the security interest of the Purchasers under the Closing Date Security Documents and the results of the usual searches that would be conducted in connection with the Security created pursuant to the Closing Date Security Documents, and (F) any other customary matters relating to this Agreement and the other Stream Documents and the transactions contemplated hereby and thereby (it being acknowledged that the Armenian Share Pledge Condition may be satisfied after the Closing Date, subject to Section 3.1(a)(i)(B));

- (o) the Purchasers' Agent shall have received a title opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of Lydian's legal counsel addressed to the Purchasers relating to the Project Real Property;
- (p) all Orders and Authorizations necessary for the completion of the transactions contemplated by the Key Transaction Documents, other than the approval of the Toronto Stock Exchange, shall have been obtained;
- (q) no Order or Applicable Law, which restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Key Transaction Documents shall be in effect; and
- (r) no action or proceeding, at law or in equity, shall be pending or threatened by any Person or Governmental Body to restrain, enjoin or prohibit the consummation of the transactions contemplated by the Key Transaction Documents.

#### **3.4 Conditions Subsequent to First Deposit in Favour of the Purchaser**

As an accommodation to the Seller, the Purchasers have agreed to make the First Deposit (subject to satisfaction or waiver by the Purchasers of the conditions precedent in Section 3.3) notwithstanding that the conditions set forth below shall not have been satisfied on or before the date of the First Deposit. In consideration of such accommodation, the Seller agrees that, in addition to all other terms, conditions and provisions set forth in this Agreement, the Seller shall satisfy each of the conditions subsequent set forth below within the timeframes set forth below (it being understood that the failure by the Seller to perform or cause to be performed any such condition subsequent on or before such date shall constitute an Event of Default):

- (a) No later than First Stage Security Deadline, the First Stage Security Documents shall have been executed and delivered by the Lydian Group Members in accordance with Section 9.2, and the First Stage Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been

taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the First Stage Security Documents, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing.

- (b) No later than the Second Stage Security Deadline, the Second Stage Security Documents shall have been executed and delivered by the Lydian Group Members in accordance with Section 9.3, and the Second Stage Security Documents shall have been registered, filed or recorded in all offices, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Collateral Agent, for the benefit of the Purchasers, under the Second Stage Security Documents, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing.

### **3.5 Conditions Precedent to Second Deposit in Favour of the Purchaser**

The obligation of the Purchasers to fund the Second Deposit shall be subject to the following conditions having been satisfied:

- (a) the Second Deposit Date shall be on or before the Second Deposit Deadline;
- (b) the conditions in Section 3.4 shall have been satisfied or waived;
- (c) the specific assignments of the Material Contracts referred to in Section 9.3(b) shall have been delivered to the Collateral Agent in accordance with that Section, and the Purchasers' Agent shall have received a legal opinion, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, of legal counsel addressed to the Purchasers relating to the foregoing;
- (d) as at the Second Deposit Date:
  - (i) all of the representations and warranties made by Lydian and the Seller pursuant to this Agreement shall be true and correct in all material respects (other than those representations and warranties which are subject to a materiality qualifier, which representations and warranties shall be true and accurate in all respects) as if made on and as of the Second Deposit Date, except those representations and warranties made as of a specific date which shall continue to be true and correct as of such date;
  - (ii) Lydian and the Seller shall have complied in all material respects with their obligations under this Agreement;
  - (iii) no Material Adverse Effect shall have occurred since the Execution Date; and

- (iv) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing;
- (e) a senior officer of each of Lydian and the Seller shall have executed a certificate, in form and substance satisfactory to the Purchasers' Agent, acting reasonably, dated as of the Second Deposit Date and addressed to the Purchasers, certifying the matters set forth in (d) above;
- (f) the Seller shall have executed a mandate letter, or obtained a binding credit-approved commitment, with respect to the Equipment Financing, subject only to customary conditions;
- (g) the Equity Financing shall have been completed (for purposes of determining compliance with this condition, the amounts required in US Dollars shall be converted from Canadian Dollars at the Bank of Canada noon exchange spot rate on the Business Day preceding completion of the Equity Financing);
- (h) the Seller shall have made submissions to the Ministry of Energy and Natural Resources of the Republic of Armenia for the amendments to Mining Permit SHATV-29/245, the Mining Right and the Environmental Impact Assessment referred to in Section 3.3(f);
- (i) evidence satisfactory to the Purchasers' Agent that all Material Project Authorizations required for the then current stage of development as contemplated by the Mine Plan have been obtained and that the Seller has complied with all conditions provided for therein;
- (j) the Purchasers shall have received an update on the status of ongoing activities and surveys, including the bear survey and cultural heritage survey, land acquisitions and potentiilla porphyrantha translocation, acceptable to the Purchasers' Agent, acting reasonably;
- (k) the permanent hiring of the in-country project development team for the Project, satisfactory to the Purchasers, shall have been completed;
- (l) the construction of the Project shall be in substantial conformance with the Construction Budget and the Project Schedule;
- (m) all Orders and Authorizations necessary for the completion of the transactions contemplated by the Key Transaction Documents shall have been obtained;
- (n) no Order or Applicable Law, which restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated by the Key Transaction Documents shall be in effect; and

- (o) no action or proceeding, at law or in equity, shall be pending or threatened by any Person or Governmental Body to restrain, enjoin or prohibit the consummation of the transactions contemplated by the Key Transaction Documents.

### **3.6 Delivery of Documentation to Purchasers**

The Purchasers' Agent shall provide the Purchasers with copies of all opinions, documents and certificates delivered by Lydian and the Seller pursuant to Sections 3.3 and 3.5 prior to funding of the First Deposit and Second Deposit, as applicable.

### **3.7 Satisfaction of Conditions Precedent**

- (a) Each of the Parties shall use all commercially reasonable efforts, and take all commercially reasonable action as may be necessary or advisable, to satisfy and fulfil all the conditions set forth in Sections 3.3, 3.4. and 3.5 (including any conditions to completion of the Private Placement set forth in the Subscription Agreements) by the date provided or, if no date is provided, as promptly as reasonably practicable. The Parties shall co-operate in exchanging such information and providing such assistance as may be reasonably required in connection with the foregoing.
- (b) Each of the conditions set forth in Sections 3.3, 3.4. and 3.5 is for the exclusive benefit of the Purchasers, and may be waived by the Purchasers' Agent, at the direction of the Majority Purchasers in their sole discretion, in whole or in part in writing.
- (c) For greater certainty, the absence of satisfaction of any or all of the conditions set forth in Sections 3.3, 3.4. and 3.5 shall not relieve Lydian or the Seller from its obligations under this Agreement.
- (d) Notwithstanding anything to the contrary contained herein, the Parties hereby acknowledge that the conditions set forth in Sections 3.3, 3.4 and 3.5 have been satisfied and fulfilled and the Purchasers have made the First Deposit and Second Deposit as of the date of this Agreement.

### **3.8 Intentionally Deleted.**

### **3.9 Obligation to Complete Private Placement**

- (a) Each of the Purchasers agrees to, or to cause its Affiliates to, subscribe for and purchase the ordinary shares of Lydian to be subscribed for by it or its Affiliates pursuant to the Private Placement, subject to the following conditions:
  - (i) the Concurrent Public Offering shall constitute a public offering of subscription receipts, exchangeable into ordinary shares and ordinary share purchase warrants of Lydian, for aggregate gross proceeds of not less than \$25,000,000;



- (ii) the ordinary shares issued pursuant to the Private Placement shall be priced at a discount of 3% to the Concurrent Public Offering, but shall not in any event exceed C\$0.35;
  - (iii) the Private Placement shall be completed generally on the same terms and conditions of the Concurrent Public Offering, provided that the subscription of the Purchasers or their Affiliate(s), as applicable, shall be made on the terms and conditions of the Subscription Agreements (for greater certainty, the Purchasers' obligation to complete the Private Placement shall be subject to the conditions precedent specified in the Subscription Agreement); and
  - (iv) the closing of the Private Placement shall occur concurrently with the release of the net proceeds from the Concurrent Public Offering to Lydian (it being acknowledged that the release of such proceeds to Lydian will be conditional on the concurrent closing of the Private Placement).
- (b) The obligation of the Purchasers or their Affiliates to execute the Subscription Agreements pursuant to Section 3.9(a) shall be subject to receipt by each of the Purchasers, on the date of execution, of a certificate from a senior officer of the Seller and Lydian certifying that:
- (i) all of the representations and warranties made by the Lydian Group Members pursuant to the Stream Documents, as applicable, are true and accurate in all material respects (other than those representations and warranties which are subject to a materiality qualifier, which representations and warranties shall be true and accurate in all respects) as if made on and as of such date, except those representations made as of a specific date which shall continue to be true and accurate as of such date;
  - (ii) each of the Lydian Group Members has complied in all material respects with its covenants and obligations under the Stream Documents to which it is a party;
  - (iii) no Material Adverse Effect has occurred since the Execution Date; and
  - (iv) no Seller Event of Default has occurred and is continuing, and no event which with notice or lapse of time or both would become a Seller Event of Default has occurred and is continuing,
- and the Purchasers shall be satisfied with the accuracy of such certificate.
- (c) Any Purchaser may assign its rights and obligations, in whole or in part, in respect of the subscription for ordinary shares of Lydian pursuant to the Private Placement to one or more of its Affiliates, to the IFC or one or more of its Affiliates, or to another Purchaser, without the consent of the Seller or Lydian. Any such assignment shall be effective upon written notice to the Seller and Lydian. Except as otherwise permitted by this Section 3.9(c), no Purchaser may

assign, in whole or in part, its rights or obligations in respect of the Private Placement without the prior written consent of the Seller, such consent not to be unreasonably withheld. For greater certainty, it will not be unreasonable for the Seller to withhold its consent to an assignment by a Purchaser in the circumstances described in Section 17.11(c).

- (d) Notwithstanding anything to the contrary contained herein, the Parties hereby acknowledge that the obligations of the Purchasers as set forth in the remainder of Section 3.9 have been satisfied and fulfilled as of the date of this Agreement.

#### **ARTICLE 4**

##### **TERM**

#### **4.1 Term**

- (a) The term of this Agreement commenced on the Execution Date and, subject to Section 4.1(c), shall continue until the earlier of: (i) the date on which the Seller has delivered and sold to the Purchasers Refined Gold and Refined Silver in an amount equal to the Aggregate Gold Quantity and the Aggregate Silver Quantity, respectively, and the Purchasers have purchased and paid for such Refined Gold and Refined Silver, and (ii) the date that is 40 years after the date of this Agreement (the earlier of such dates, the “Term”).
- (b) If by the expiry of the Term, the Seller has not sold and delivered to the Purchasers an amount of Refined Gold or Refined Silver sufficient to reduce the Uncredited Balance of the Deposit to nil, as calculated in accordance with Sections 2.5(a) and 2.6(a), then a refund of the Uncredited Balance shall be due and owing by the Seller to the Purchasers. If a refund of the Uncredited Balance shall be due and owing by the Seller to the Purchasers, the Seller shall, on the expiry date of the Term, pay the amount of the Uncredited Balance to the Purchasers (pro rata based upon their respective Purchaser’s Share).
- (c) This Agreement may also be terminated prior to the expiry of the Term (i) by the Parties on mutual written consent, (ii) by the Purchasers upon a Seller Event of Default in accordance with Article 11, or (iii) by the Seller upon a Purchaser Event of Default set out in Section 12.1(a) in accordance with Article 12.

#### **4.2 Survival**

The following provisions shall survive termination of this Agreement: Section 2.7 (in respect of any Refined Gold or Refined Silver delivered prior to such termination), Section 5.8 (in respect of any periods prior to such termination), Section 6.8, Article 14, Article 15, Article 17, and such other provisions of this Agreement as are required to give effect thereto.

**ARTICLE 5**  
**REPORTING; BOOKS AND RECORDS; INSPECTIONS**

**5.1 Operations Reports**

- (a) On or before the 15th day after the end of each calendar month during the Term, the Seller shall provide to the Purchasers a Monthly Operations Report and, commencing after the first shipment of Minerals to the Refinery, a Monthly Production Report in respect of such month.
- (b) On or before February 28 of each calendar year during the Term, the Seller shall provide to the Purchasers an Annual Compliance Certificate and an Annual Operations Report in respect of the immediately preceding calendar year.
- (c) On or before November 30 of each calendar year during the Term, the Seller shall provide to the Purchasers an Annual Forecast Report in respect of the upcoming calendar year.

**5.2 Financial Reports**

- (a) On or before the 45th day after the end of each of Lydian's first, second and third fiscal quarters, the Seller shall provide to the Purchasers a copy of Lydian's quarterly unaudited consolidated financial statements for such quarter together with unaudited unconsolidated statements of the Seller (provided that the making of documents publicly available on Lydian's SEDAR profile satisfies this requirement).
- (b) On or before the 90th day after the end of each of Lydian's fiscal years, the Seller shall provide to the Purchasers a copy of Lydian's audited annual consolidated financial statements for such year together with audited unconsolidated statements of the Seller for such year (provided that the making of documents publicly available on Lydian's SEDAR profile satisfies this requirement).

**5.3 Other Reports**

The Seller shall promptly deliver or furnish, or cause to be delivered or furnished, to the Purchasers a copy of any material reports, certificates, documents and notices relating to the Project which are delivered by a Lydian Group Member under other Key Transaction Documents (or any Refinancing Facility) to the extent not already delivered to the Purchasers under the Stream Documents.

**5.4 Copies of Project Documents**

The Seller shall promptly deliver or furnish, or cause to be delivered or furnished, to the Purchasers a copy of:

- (a) any new Material Project Agreement or any amendment or revision to any existing Material Project Agreement (provided that any such amendment, revision, supplement or replacement shall be subject to Section 6.7(c));
- (b) any new Material Project Authorization, or amendment, revision, reissuance or replacement of any existing Material Project Authorization;
- (c) any amendment, revision or supplement to the Construction Budget or Project Schedule (provided that any such amendment, revision, supplement or replacement shall be subject to Section 6.1(f));
- (d) any amendment, revision or supplement to or replacement of the Mine Plan (provided that any such amendment, revision, supplement or replacement shall be subject to Section 6.1(g));
- (e) any new technical reports or updated mineral reserve and mineral resource estimates produced that pertain to the Project Real Property, or any material engineering or technical studies relating to the Project; and
- (f) any material reports, certificates, documents and notices relating to the Project which are delivered to any Lydian Group Member by or on behalf of any third-party consultant or contractor, including any and all monthly or other periodic construction reports.

#### **5.5 Notice of Project Milestones**

- (a) The Seller shall provide the Purchasers with written notice of each of the Production Start Date, Commercial Production Date and the Completion Date within five Business Days of the occurrence thereof.
- (b) Lydian shall issue a news release announcing that the Seller has achieved the Commercial Production Date no later than the deadline under Securities Laws for Lydian to make its quarterly filings in respect of the fiscal quarter during which the Commercial Production Date occurred.

#### **5.6 Notice of Adverse Impact**

The Seller shall provide the Purchasers with written notice of each of the following events promptly upon any Lydian Group Member becoming aware of or having knowledge of such event:

- (a) the occurrence of any Seller Event of Default, or any event or circumstance which with notice or lapse of time or both would become a Seller Event of Default or may result in a Seller Event of Default;
- (b) any default by any party under or termination or threatened termination of any Material Project Agreement;

- (c) the loss of or material non-compliance with the terms of, or any threat (whether or not in writing) by a Governmental Body to revoke or suspend, any Material Project Authorization;
- (d) all material actions, suits and proceedings before any Governmental Body or arbitrator pending, or to the Seller's knowledge threatened, against or directly affecting the Seller or any Guarantor or the Project, including any actions, suits, claims, notices of violation, hearings, investigations or proceedings pending, or to the Seller's knowledge threatened, against or affecting Lydian, any PSA Entity or the Seller, or with respect to the ownership, use, maintenance and operation of the Project;
- (e) any violation or suspected violation of any Applicable Law by Lydian, any PSA Entity or the Seller in any material respect;
- (f) any non-compliance by Lydian, any PSA Entity or the Seller with the Environmental and Social Requirements, the HSEC Policy or the Anti-Corruption Policy in any material respect;
- (g) any material damage suffered to the Project, and whether any Lydian Group Member has or plans to make any insurance claim;
- (h) any material disputes or disturbances involving local communities;
- (i) any event, circumstance or fact that could reasonably be expected to give rise to a "Default" or an "Event of Default" as defined under the Credit Agreement, any Refinancing Facility or any other agreement in respect of Debt of the Seller or any Guarantor in a principal amount of \$5,000,000 or more without giving effect to any amendments or waivers from the creditor party thereunder; and
- (j) any other condition or event which has resulted, or that could reasonably be expected to result, in a Material Adverse Effect,

in each case, accompanied by a written statement by a senior officer of the Seller setting forth details of the occurrence referred to therein.

#### **5.7 Provision of Reports**

Upon written notice to the Seller by any Purchaser at any time and from time to time, the Seller shall cease to provide any information or reports identified for the time period specified in such notice to such Purchaser. The Seller shall recommence regular reporting under this Agreement upon completion of such period or upon further written notice to the Seller by such Purchaser.

#### **5.8 Books and Records**

- (a) Lydian and the Seller shall, and Lydian shall cause the Lydian Group Members to, keep true, complete and accurate books and records of all of the their respective operations and activities with respect to the Project and this

Agreement, including the mining and production of all Minerals from the Project Real Property and the mining, treatment, processing, milling, transportation and sale or refining of all Minerals, and all operating or capital costs.

- (b) Lydian and the Seller shall, and Lydian shall cause the Lydian Group Members to, permit the Purchasers and its authorized representatives and agents to perform audits or other reviews and examinations of their books and records and other information relevant to the production, delivery and determination of Refined Gold and Refined Silver under this Agreement and compliance with this Agreement from time to time at reasonable times at the Purchaser's sole risk and expense and not less than three Business Days' notice, provided that the Purchasers and their authorized representatives and agents will not exercise such rights more often than once during any calendar year absent the existence of a Seller Event of Default, or absent a material deficiency identified during a previous audit or review, in which case such rights may be exercised at such periods as may be reasonably determined by the Purchasers (and in any event at least once during any calendar quarter) until no material deficiencies are identified during four consecutive audits or reviews, at which point the Purchasers will once again be limited to exercising such rights once per calendar year. The Purchasers shall use their commercially reasonable efforts to diligently complete any audit or other examination permitted hereunder.
- (c) If the Purchasers or any of their Affiliates are required by Applicable Law to prepare a technical report (or similar report) in respect of the Project Real Property, as determined by the Purchasers acting reasonably, the Seller shall cooperate with and allow the Purchasers and their authorized representatives to access technical information pertaining to the Project Real Property and complete site visits at the Project Real Property so as to enable the Purchasers or their Affiliates, as the case may be, to prepare the technical report (or similar report) in accordance with National Instrument 43-101 (or any other applicable Canadian and/or U.S. and/or stock exchange rules and policies governing the disclosure obligations of the Purchasers or any of their Affiliates) at the sole cost and expense of the Purchasers. At reasonable times and with the prior consent of the Seller (not to be unreasonably withheld or delayed), at the sole risk and expense of the Purchasers, the Purchasers and their authorized representatives shall have a right of access to all surface and subsurface portions of the Project, to any mill, smelter, concentrator or other processing facility owned or operated by Lydian Group Member that is used to process Minerals and to any related operations for the purpose of enabling the Purchasers to comply with the obligations of the Purchasers or any of their Affiliates under National Instrument 43-101 (or any other applicable Canadian and/or U.S. Securities Laws and/or stock exchange rules and policies governing the disclosure obligations of the Purchasers or any of their Affiliates), as determined by the Purchasers acting reasonably.

## **5.9 Inspections**

Upon no less than ten Business Days' notice to the Seller and subject at all times to the workplace rules and supervision of the Seller, the Seller shall grant, or cause to be granted, to the Purchasers and their representatives and agents, at reasonable times and at the Purchaser's sole risk and expense, the right to access the Project Real Property, the Processing Facilities and other facilities of the Project, in each case to monitor the mining, processing and infrastructure operations relating to the Project and compliance with this Agreement. The Purchasers shall use their commercially reasonable efforts to not interfere with exploration, development, mining or processing work conducted on the Project Real Property.

## **ARTICLE 6 COVENANTS**

### **6.1 Conduct of Operations**

- (a) Except as otherwise provided herein, all decisions regarding the Project, including (i) the methods, extent, times, procedures and techniques of any development and mining related to the Project or any portion thereof, and (ii) decisions to operate or continue to operate the Project or any portion thereof, including with respect to closure and care and maintenance, shall be made by the Seller and/or the other Lydian Group Members in their sole discretion.
- (b) The Seller shall operate the Project on a commercial basis as though it has the full economic interest in the gold and silver produced from the Project Real Property in the absence of this Agreement and as if they were entitled to receive the Gold Market Price and the Silver Market Price for all gold and silver produced. The Seller shall ensure that all cut-off grade, short term mine planning, longer term planning and production decisions, and all resource and reserve calculations, concerning the Project shall be based on gold and silver prices consistent with normal industry practice.
- (c) The Seller shall perform all exploration, development, and mining operations and activities pertaining to or in respect of the Project in accordance in all material respects with the Mine Plan, Applicable Laws, Project Authorizations, Other Rights, Material Project Agreements, the HSEC Policy, the Environmental and Social Requirements and Good Industry Practice.
- (d) The Seller shall use all commercially reasonable efforts to obtain, as and when required, and preserve and maintain, all Authorizations (including environmental Authorizations), Other Rights and Contracts which are required to permit the Seller to (i) own, operate and maintain the Project in the manner currently owned and operated, (ii) develop, construct and operate the Project as contemplated by the Mine Plan, (iii) commence and carry out the operation of commercial production transactions, and (iv) perform its obligations under this Agreement.
- (e) The Seller shall timely and fully perform, pay and observe, or cause to be performed, observed and paid, any and all liabilities and obligations required by

any Applicable Laws, Project Authorizations, Other Rights, the Environmental and Social Requirements or by any Governmental Body, for the reclamation, restoration or closure of any facility or land used in connection with the Seller's operations or activities at, on or in respect of the Project or required under this Agreement.

- (f) Prior to the first advance under the Credit Agreement, the Construction Budget may not be amended in any material respect without the prior written approval of the Purchasers' Agent (at the direction of the Majority Purchasers).
- (g) Prior to the Deposit Reduction Date, the Mine Plan may not be amended without the prior written approval of the Purchasers' Agent (at the direction of the Majority Purchasers) if such amendment: (i) is not in accordance with Good Industry Practice; (ii) would reasonably be expected to have a Material Adverse Effect; (iii) would be expected to result in Project Costs prior to the Completion Date being outside the scope of funds available to the Seller; (iv) would reasonably be expected to result in a material increase in the technical, operations or design risk of the Project; (v) would reduce the design capacity of any material part of Processing Facilities; or (vi) would result in a reduction of greater than 10% to the projected production of Minerals from the Project Real Property (on an annual or life-of-mine basis) relative to the Technical Report.

## 6.2 Processing; Commingling

- (a) The Seller shall not, without the prior written consent of the Purchasers' Agent (at the direction of the Majority Purchasers):
  - (i) sell unprocessed Minerals mined from the Project Real Property;
  - (ii) process Minerals mined from the Project Real Property other than through the Processing Facilities in order to produce doré for delivery to the Refinery for processing into Refined Gold and/or Refined Silver; or
  - (iii) sell, ship or deliver Minerals processed through the Processing Facilities and containing gold and/or silver (in a form and of a quality suitable for delivery to the Refinery for processing into Refined Gold and/or Refined Silver) to any Person other than the shipment of such Minerals to the Refinery as contemplated by this Agreement.
- (b) The Seller shall direct the Refinery to deliver the Refined Gold and Refined Silver referred to in Section 2.1 directly to the Purchaser by credit to the Purchasers' metal account(s) after each Outturn in accordance with Section 2.3(a). Notwithstanding the foregoing, the Seller acknowledges its primary obligation to deliver the Refined Gold and Refined Silver to the Purchasers pursuant to this Agreement and that such arrangements with the Refinery shall not relieve the Seller of that obligation. The Seller shall promptly notify the Purchasers in writing of any dispute with the Refinery in respect of a material matter arising out of or in connection with the processing of Minerals into Refined Gold and



Refined Silver and shall provide the Purchasers with timely updates of the status of any such dispute and the final decision and award of the court or arbitration panel with respect to such dispute, as the case may be. Unless prohibited by confidentiality obligations owed by the Seller to the Refinery, the Seller shall promptly provide the Purchasers with a copy of any agreements entered into by the Seller with the Refinery in respect of the refining of Minerals processed by the Seller. If the Seller is prohibited by confidentiality obligations from providing the Purchasers with a copy of any such agreement, the Seller shall provide to the Purchasers a summary of such agreement (to the extent permitted by such confidentiality obligations).

- (c) The Seller shall not process Other Minerals through the Processing Facilities in priority to or in place of, or commingle Other Minerals with, Minerals which are or can be mined, produced, extracted or otherwise recovered from the Project Real Property, unless: (i) the Seller has adopted and employs reasonable practices and procedures for weighing, determining moisture content, sampling and assaying and determining recovery factors (a "Commingling Plan"), such Commingling Plan to ensure the division of Other Minerals and Minerals for the purposes of determining the quantum of the Refined Gold and Refined Silver to be delivered hereunder; (ii) the Purchasers shall not be disadvantaged as a result of the processing of Other Minerals in place of, in priority to, or concurrently with, Minerals; (iii) the Purchasers' Agent has approved the Commingling Plan and any changes to such plan which may be proposed from time to time, such approval not to be unreasonably withheld; and (iv) the Seller keeps all books, records, data and samples required by the Commingling Plan and makes such books, records, data and samples available to the Purchasers in accordance with Section 5.8(b). The Seller shall compensate the Purchasers for any disadvantage incurred or suffered by the Purchasers if and to the extent that the processing of Minerals mined, produced, extracted or otherwise recovered from the Project Real Property through the Processing Facilities is delayed solely as a result of such Other Minerals being processed through the Processing Facilities.

### 6.3 Certain Corporate Standards

- (a) The Seller shall (i) at all times maintain the HSEC Policy and shall periodically review and update the HSEC Policy to ensure that it complies with the Environmental and Social Requirements, (ii) ensure that all operations in respect of the Project comply in all material respects with the Environmental and Social Requirements and the HSEC Policy, and (iii) keep all relevant documentation in order for the Purchasers to verify such compliance. In the event of any non-compliance with the Environmental and Social Requirements or the HSEC Policy, the Seller shall develop and implement a Corrective Action Plan acceptable to the Purchasers' Agent, acting reasonably. The Seller shall, upon the request of the Purchasers' Agent, acting reasonably, provide the Purchasers with any information relating to measures or monitoring undertaken by the Seller or on behalf of the Seller under the Environmental and Social Requirements, the HSEC Policy or any Corrective Action Plan.

- (b) Without limiting the foregoing, the Seller shall, in particular, ensure that it complies with Performance Standard 5 (Land Acquisition and Involuntary Resettlement) and Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources), and the relevant guidance documents published by the IFC, in accordance with the commitments made in the ESIA.
- (c) The Seller and Lydian shall, and Lydian shall cause all of the Lydian Group Members to, at all times comply with the Anti-Corruption Policy, and shall immediately notify the Purchasers' Agent upon becoming aware of any breach or suspected breach of such policy. Lydian shall not, without the prior written consent of the Purchasers' Agent, acting reasonably, amend, terminate replace or otherwise vary the Anti-Corruption Policy.

#### **6.4 Preservation of Corporate Existence; Location of Assets**

- (a) Lydian and the Seller shall, and Lydian shall cause the Guarantors to, at all times from and after the date hereof do and cause to be done all things necessary or advisable to maintain its corporate or other existence, including the making of all required filings in connection therewith, and to obtain, and, once obtained, maintain all qualifications necessary to carry on its business and own its assets in each jurisdiction in which they carry on business or in which their assets are located.
- (b) Neither Lydian nor the Seller shall, and Lydian shall not permit any Guarantor to, merge, amalgamate or consolidate with another Lydian Group Member, or change or reorganize its capital structure or amend its articles, by-laws or any other constating documents, if it would adversely impact the Purchasers' rights under the Stream Documents.
- (c) Neither Lydian nor the Seller shall, and Lydian shall not permit any Guarantor to, change its legal or operating name, or the location of its chief executive office or location of its assets, except with at least 15 days' prior written notice to the Purchasers' Agent.
- (d) Until the Completion Date, the Seller shall promptly notify the Purchasers of (i) the acquisition by any Lydian Group Member of any Real Property (including mineral rights), whether owned or leased (and in the case of any leased property, provide the Collateral Agent with a charge over such leasehold interest on terms satisfactory to the Purchasers' Agent and the Collateral Agent, acting reasonably), (ii) the acquisition by Lydian International Holdings Limited or Lydian Resources Armenia Limited of any undertaking, property or assets and provide the Collateral Agent, for the benefit of the Purchasers, with a charge over such undertaking, property or assets on terms satisfactory to the Purchasers' Agent and the Collateral Agent, acting reasonably, and (iii) any new locations of tangible assets of any Lydian Group Member (other than inventory in transit).

- (e) From and after the Completion Date, the Seller shall promptly notify the Purchasers of (i) the acquisition by any Lydian Group Member of any Project Real Property, whether owned or leased (and in the case of any leased property, provide the Collateral Agent with a charge over such leasehold interest on terms satisfactory to the Purchasers' Agent and the Collateral Agent, acting reasonably), (ii) the acquisition by the Seller or any PSA Entity of any Real Property (including mineral rights), whether owned or leased (and in the case of any leased property, provide the Collateral Agent with a charge over such leasehold interest on terms satisfactory to the Purchasers' Agent and the Collateral Agent, acting reasonably) and (iii) any new locations of tangible assets of the Seller or any PSA Entity (other than inventory in transit).

#### **6.5 Maintenance of Property; Encumbrances**

- (a) The Seller shall at all times do or cause to be done all things necessary to maintain the Project Real Property in good standing, including paying or causing to be paid all Taxes owing in respect thereof, performing or causing to be performed all required assessment work thereon, paying or causing to be paid all claim, permit and license maintenance fees in respect thereof, paying or causing to be paid all rents and other payments in respect of leased properties forming a part thereof or otherwise payable under any purchase, option or similar agreements relating thereto and otherwise maintaining the Project Real Property in accordance with Applicable Laws.
- (b) Lydian and the Seller shall, and Lydian shall cause the Guarantors to, at all times warrant and defend the right, title and interest of the Seller and the Guarantors in and to any Collateral, and every part thereof, against the claims of any Person, subject only to Permitted Encumbrances.
- (c) Neither the Seller nor Lydian shall, and Lydian shall not permit any Lydian Group Member to, create, incur, assume or suffer to exist any Encumbrance upon all or any of the Collateral, whether now owned or hereafter acquired, other than Permitted Encumbrances.
- (d) The Purchasers, at their own expense, may undertake such investigation of the title and status of the Project Real Property as they shall deem necessary. If that investigation should reveal material defects in the title (which shall not include Permitted Encumbrances), the Seller shall forthwith proceed to cure such title defects to the satisfaction of the Purchasers, acting reasonably. If the Seller fails to so cure such material defects within 30 days of such notice from the Purchasers: (i) the Purchasers may proceed to cure such title defects; (ii) any costs and expenses incurred (including reasonable legal fees and costs) by the Purchasers in connection with curing such title defects shall be promptly reimbursed by the Seller; and (iii) the Purchasers may lien such properties for such amounts until the Seller reimburses the Purchasers in full.

## 6.6 Insurance

- (a) Lydian and the Seller shall, and Lydian shall cause the Guarantors to, keep insured with financially sound and reputable insurance companies all of the Collateral, including the Project, in amounts and against losses or damages, including property damage and public liability, on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses in the relevant jurisdictions and cause the policies of insurance referred to above to contain customary endorsements for the benefit of the Purchasers, all in a form acceptable to the Purchasers' Agent acting reasonably, and include a provision that such policies will not be amended in any manner which is prejudicial to the Purchasers or be cancelled without 30 days' prior written notice being given to the Purchasers by the issuers thereof. Lydian and the Seller shall cause the Collateral Agent to be named as a loss payee (as its interests may appear) with respect to property insurance and the Collateral Agent, the Purchasers Agent and the Purchasers to be named as additional insureds with respect to public liability insurance. The Seller shall provide the Purchasers' Agent promptly with such evidence of insurance as the Purchasers' Agent may from time to time reasonably require.
- (b) Subject to Section 6.6(c), prior to the Deposit Reduction Date, to the extent the Seller or the Guarantors receive Net Proceeds, then (i) the amount of such Net Proceeds received by the Seller and the Guarantors that is less than \$1,000,000 in aggregate in any fiscal year may be retained by the Seller or Guarantor, as applicable, (ii) the amount of such Net Proceeds received by the Seller and the Guarantors that is greater than \$1,000,000 but less than \$3,000,000 in aggregate in any fiscal year shall either (a) be used by the Seller or Guarantor, as applicable, to repair and/or replace the property that is the subject of such Net Proceeds, or (b) to the extent not so used to repair and/or replace property within 180 days of receipt, shall (subject to the Credit Facility Intercreditor Agreement) be paid to the Purchasers, and (iii) Net Proceeds received by the Seller and the Guarantors that are more than \$3,000,000 in aggregate in any fiscal year shall (subject to the Credit Facility Intercreditor Agreement) be paid over to the Collateral Agent to hold, and such funds shall be held by the Collateral Agent: (X) if in the Purchasers' Agent's reasonable opinion, property that is the subject of such Net Proceeds can be adequately repaired and/or replaced in a manner and timeframe such that there will not be a Material Adverse Effect, then at the Seller's option such property may be repaired and/or replaced within 180 days of receipt, and the Collateral Agent (at the direction of Purchasers' Agent) pay over such funds upon payment being due for such repairs and/or replacement, or (Y) if the Purchasers' Agent is not of such opinion, the Seller elects not to so repair and/or replace, or the repair and/or replacement is not completed within 180 days, such funds shall (subject to the Credit Facility Intercreditor Agreement) be paid to the Purchasers. The amount of any such Net Proceeds payable to the Purchasers under this Section 6.6(b) shall be limited to the Purchasers' Applicable Percentage of the Net Proceeds and, upon payment of any such Net Proceeds to the Purchasers, an amount of the Deposit equal to the amount of such Net Proceeds shall be deemed

to have been returned to the Purchasers and the total amount of the Deposit and Commitments shall be deemed to be reduced for all purposes under this Agreement. In this Section 6.6(b), "**Applicable Percentage**" means the Purchaser's share of the Net Proceeds of such insurance payment received by any PSA Entity, the Purchasers' share being calculated as the ratio of (i) the NPV of the Remaining Stream to (ii) the NPV of the Project.

- (c) Where any Lydian Group Member has received payment under an insurance policy in respect of a shipment of Minerals to the Refinery that is lost or damaged after leaving the Project Real Property and before the risk of loss or damage is transferred to the Refinery, the Seller shall use the Net Proceeds received by the Lydian Group Member in respect thereof to acquire Refined Gold and Refined Silver and shall sell and deliver to each Purchaser (without duplication to the extent previously sold and delivered to the Purchasers by the Seller) the Purchasers' Share of the Designated Gold Percentage and Designated Silver Percentage of such Refined Gold or Refined Silver (as if such Refined Gold or Refined Silver had been an Outturn from the Refinery) at the Gold Purchase Price or Silver Purchase Price, as applicable.

#### 6.7 Certain Negative Covenants

Up to and until the Deposit Reduction Date, except with the prior written consent of the Purchasers' Agent (at the direction of the Majority Purchasers):

- (a) The Seller shall not engage directly or indirectly in any material business activity, or purchase or otherwise acquire any material property, in either case, not related to or in furtherance of the construction, development and operation of the Project, or as reasonably required to perform its obligations under the Key Transaction Documents. Lydian shall not permit any PSA Entity to carry on any business other than the holding of securities of other PSA Entities or the Seller, and any activities incidental thereto, including the making of any investment in any PSA Entity or the Seller, or as reasonably required to perform its obligations under the Key Transaction Documents.
- (b) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to:
  - (i) except as otherwise expressly contemplated by this Agreement or the Credit Agreement, provide Financial Assistance, either directly or indirectly, to any Person other than on an unsecured basis in favour of the Seller or a Guarantor;
  - (ii) make any Investments, except (i) Investments in the Seller or any Guarantor, provided that (A) any Investments made in a Guarantor are contemporaneously used to make an ultimate Investment in the Seller, (B) the Deposit shall in no event be used to make an Investment, directly or indirectly, in any Person which is not a PSA Entity or the Seller, and (C) if

such Investment is by way of Debt, such Debt must be Subordinated Intercompany Debt; or (ii) short term Investments in money market instruments with remaining maturities of 12 months or less at the date of purchase including securities issued by government agencies, and term deposits and bank accounts with financial institutions provided that such short-term Investments are readily convertible to cash; or

- (iii) make any Acquisitions.
- (c) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any other Lydian Group Member to, enter into any new Material Project Agreement or amend in any material respect or waive any material provision of or terminate or assign (other than as contemplated under the Stream Documents) or give notice of termination or assignment of any Material Project Agreement or waive or grant indulgences in respect of any default or event of default under any of the Material Project Agreements.
- (d) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to, directly or indirectly purchase, acquire or lease any property from, or sell, transfer or otherwise dispose of any property to, or otherwise deal or enter into any agreement with, any Related Party (other than the Seller or a Guarantor), except in the ordinary course of and pursuant to the reasonable requirements of such Person's business and upon fair and reasonable terms that are no less favourable to the Seller and the Guarantors than those that could be obtained in an arm's length transaction with a Person that is not a Related Party.
- (e) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to, create, incur, assume, or otherwise become directly or indirectly liable upon or in respect of, or suffer to exist, any Debt other than Permitted Debt.
- (f) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to, enter into any hedge instrument or incur any hedge obligations unless such hedge obligations are pursuant to Permitted Hedging Arrangements.
- (g) Neither Lydian nor the Seller shall, and Lydian shall not permit any Guarantor to, (i) use the proceeds of the Credit Facility (or any Refinancing Facility), the Equity Financing or the Equipment Financing for any purpose other than for Project Costs in accordance with the Construction Budget and the Mine Plan or the repurchase by the Seller of the Newmont Royalty, or (ii) make any expenditure or payment in respect of the development and construction of the Project other than in accordance with the Construction Budget and the Mine Plan, unless otherwise permitted hereunder.

- (h) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to, make any Restricted Payment other than Permitted Restricted Payments.
- (i) Neither the Seller nor Lydian (but only until the Guarantee Release Date, in the case of Lydian) shall, and Lydian shall not permit any Guarantor to, transfer or assign any Debt owed to it, other than to the Seller or a Guarantor.
- (j) Neither the Seller nor Lydian shall, and Lydian shall not permit any Guarantor to, transfer the proceeds of the Equity Financing, the Credit Facility or the Deposit to any account in Armenia except that twice per month Lydian, the Seller or any other Lydian Group Member may transfer funds to the Seller's Armenian account in amounts no more than the amount required to pay expenses required to be paid for the next month and which expenses are provided for in the Construction Budget, less any amount transferred in the previous month that were not used to pay expenses, and provided that the relevant Lydian Group Member provides concurrent written notice to the Purchasers' Agent of such transfer together with the details thereof.
- (k) Neither the Seller nor Lydian shall, and Lydian shall not permit any Guarantor to:
  - (i) other than funds transferred pursuant to Section 6.7(j), retain in excess of \$10,000,000 in accounts in Armenia and the Seller shall within three Business Days of reaching such limit transfer the excess to accounts of the Seller in Canada, the United States or the States of Jersey over which the Collateral Agent has a first priority perfected Encumbrance and a blocked account agreement, or
  - (ii) at any time, retain any funds in any account over which the Collateral Agent does not have a perfected first priority Encumbrance. Notwithstanding the foregoing, until such time as the Seller shall have provided a valid and perfected Pledge of Money in accounts to the Collateral Agent, together with a blocked account agreement among the Seller, the Collateral Agent and the applicable bank, in respect of its bank account in Armenia, the Seller may retain funds in its bank account or accounts in Armenia but shall not in any circumstance retain in excess of \$3,000,000 in such accounts (whether pursuant to a transfer pursuant to Section 6.7(j) or otherwise).

## 6.8 Confidentiality

- (a) Each Party (a "**Receiving Party**") agrees that it shall maintain as confidential and shall not disclose, and shall cause its Affiliates, employees, officers, directors, advisors and representatives to maintain as confidential and not to disclose, the terms contained in this Agreement and all information (whether written, oral or in electronic format) received or reviewed by it as a result of or in connection with this Agreement (collectively, the "**Confidential Information**"), provided that a Receiving Party may disclose Confidential Information in the following circumstances:

- (i) to its auditor, legal counsel, lenders, underwriters and investment bankers and to persons ("**Third Parties**") with which it is considering or intends to enter into a transaction for which such Confidential Information would be relevant (and to advisors and representatives of any such person), provided that (i) such persons are advised of the confidential nature of the Confidential Information, undertake to maintain the confidentiality of it and are strictly limited in their use of the Confidential Information to those purposes necessary for such persons to perform the services for which they were, or are proposed to be, retained by the Receiving Party or to consider or effect the applicable transaction, as applicable, and (ii) in the case of Third Parties, such Third Parties shall not be provided with Confidential Information other than an unredacted copy of this Agreement, any related agreements entered into in connection herewith, any reports, notices and other documents and information delivered hereunder, and information regarding the performance of obligations hereunder, including deliveries and payments received hereunder, without the prior written consent of the Seller or the Purchaser, as the case may be, such consent not to be unreasonably withheld;
- (ii) subject to Section 17.6, where that disclosure is necessary to comply with Applicable Laws, court order or regulatory request, provided that such disclosure is limited to only that Confidential Information so required to be disclosed and, where applicable, that the Receiving Party will have availed itself of the full benefits of any laws, rules, regulations or contractual rights as to disclosure on a confidential basis to which it may be entitled;
- (iii) for the purposes of the preparation and conduct of any arbitration or court proceeding commenced under Section 17.1;
- (iv) where such information is already available to the public other than by a breach of the confidentiality terms of this Agreement or is known by the Receiving Party prior to the entry into of this Agreement or obtained independently of this Agreement and the disclosure of such information would not breach any other confidentiality obligations;
- (v) with the consent of the disclosing Party;
- (vi) to its Affiliates and those of its and its Affiliates' directors, officers, employees, advisors and representatives who need to have knowledge of the Confidential Information; and
- (vii) in the case of a Purchaser and its Affiliates, to any limited partner or co-investor or prospective limited partner or co-investor in or with a private equity fund managed by the Purchaser or Affiliates of the Purchaser, to the extent such information is reasonably relevant to the current investment or future investment decision of any such limited partner or co-investor or



prospective limited partner or co-investor, provided that such persons undertake to maintain the confidentiality of it and are strictly limited in their use of the confidential information for the purpose of making an investment decision in or with respect to the Purchaser or Affiliates of the Purchaser.

- (b) Each Party shall ensure that its Affiliates and its and its Affiliates' employees, directors, officers, advisors and representatives and those persons listed in Section 6.8(a)(i) and 6.8(a)(vii) are made aware of this Section 6.8(b) and comply with the provisions of this Section 6.8(b). Each Party shall be liable to the other Party for any improper use or disclosure of such terms or information by such persons.
- (c) No Party shall file this Agreement on SEDAR without reasonable prior consultation with the other Parties and the Parties shall consult with each other with respect to any proposed redactions to this Agreement in compliance with Applicable Laws before it is filed on SEDAR.

## **6.9 IFC Participation**

Lydian shall use its commercially reasonable efforts to obtain IFC's commitment to exercise its equity participation rights under the IFC Agreement in respect of the Equity Financing on the closing date of the Equity Financing, and the Purchasers shall cooperate with Lydian in such efforts.

## **ARTICLE 7 TECHNICAL COMMITTEE**

### **7.1 Establishment of Technical Committee**

- (a) From and after the Execution Date until Completion, a Technical Committee shall be established by the Seller having the roles and responsibilities as set out in this Article 7.
- (b) The Technical Committee shall determine its composition, provided that the following composition requirements are met:
  - (i) Osisko Bermuda Limited (or one of its Affiliates) shall be entitled to name one member, provided that Osisko Bermuda Limited (or one of its Affiliates) is a Purchaser;
  - (ii) Resource Capital Fund VI L.P. (or one of its Affiliates) shall be entitled to name one member, provided that Resource Capital Fund VI L.P. (or one of its Affiliates) is a Purchaser;
  - (iii) any Person (other than Osisko Bermuda Limited, Resource Capital Fund VI L.P. or their respective Affiliates) which, individually or together with

such Person's Affiliates, constitutes the Majority Purchasers shall be entitled to name one member; and

- (iv) Lydian shall be entitled to name one member.

An alternate may also be appointed by each of the Persons listed above to act in its absence from time to time. The members of the Technical Committee shall appoint one of the members to act as chair of the Technical Committee.

- (c) In carrying out its responsibilities, the Technical Committee shall co-ordinate and consult with Lydian's and the Seller's board of directors and management; provided, however, that the Technical Committee shall not constitute a part of the board of directors of any Lydian Group Member and will not have authority to direct the management of any Lydian Group Members.
- (d) The Technical Committee shall establish such procedures as it considers necessary or advisable and, without limiting the generality of the foregoing, in order to encourage open and candid reporting, the Technical Committee may, as it considers appropriate from time to time, exclude from any part of its meetings its members who are also members of Lydian's board of directors.
- (e) The Technical Committee may invite such officers, directors and employees of, and advisors to, Lydian and the Seller, including the Independent Engineer, and any such other Persons as it considers appropriate from time to time, to attend its meetings and assist thereat.

## 7.2 Responsibilities

- (a) The duties of the Technical Committee shall be limited to the oversight of the construction and operation of the Project and providing information to the Seller and the Purchasers with respect to all technical matters in respect thereof, including the following matters:
- (i) the Technical Committee shall perform a quarterly review of the construction and operation of the Project and report thereon, such report to be provided to the Seller's board of directors and the Purchasers no later than the 30th day after the end of each quarter;
- (ii) the Technical Committee shall review any material amendment to the Mine Plan, Project Schedule or Construction Budget proposed by the Seller and report thereon, such report to be provided to the Seller and the Purchasers prior to approval of such amendments by Lydian's or the Seller's board of directors; and
- (iii) the Technical Committee shall review and report on any other matter referred to it by the Seller or the Purchasers.

- (b) In carrying out its responsibilities hereunder, the Technical Committee may request a periodic construction update report from the Independent Engineer, on such terms and conditions as the Technical Committee may decide (all at the continued cost of the Seller).
- (c) In carrying out its responsibilities hereunder, the members of the Technical Committee shall be entitled to make semi-annual site visits to the Project Real Property.
- (d) Any reports of the Technical Committee shall be provided simultaneously to the Seller and the Purchasers.

### 7.3 Meeting Procedures

- (a) The Technical Committee shall hold regular quarterly meetings at such time and place (including by telephonic or electronic means) as mutually agreed to by its members or, failing such agreement, at the offices of Lydian, as well as additional meetings on a more frequent basis if and as decided by the members of the Technical Committee. The chair of the Technical Committee shall give seven days' written notice to the members of meetings. Additionally, the Seller, the Purchasers' Agent (upon direction of the Majority Purchasers) or the Independent Engineer may call a special meeting upon seven days' written notice to the members of the Technical Committee. In case of emergency, reasonable notice of a special meeting shall suffice. At any such meeting, there shall be a quorum if at least one member of the Technical Committee representing each of the Persons who has appointed a member pursuant to Section 7.1(b) is present; provided, however, that if the members appointed by any of such Persons fail to attend two consecutive properly called meetings of the Technical Committee, then a quorum shall exist at the second meeting without such members.
- (b) Each notice of a meeting shall include an itemized agenda prepared by the chair of the Technical Committee in the case of a regular meeting, or by the Person calling the meeting in the case of a special meeting, but any matters may be considered with the consent of all members of the Technical Committee. The members shall also be provided with all relevant documents that are required for the meeting at least 48 hours before the date of the meeting. The chair of the Technical Committee shall prepare minutes of all meetings and shall distribute copies of such minutes to the other members of the Technical Committee within a reasonable period of time after the meeting. The minutes, when signed by the members that represent the majority, shall be the official record of the proceedings of the Technical Committee.
- (c) All reasonable Technical Committee costs and expenses are to be paid by the Seller. No members of the Technical Committee shall be remunerated or otherwise paid simply for their role as members of the Technical Committee.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

#### IFRS 15 – Revenue from contracts with customers

The Company has adopted IFRS 15, *Revenue from Contracts with Customers* on a retrospective basis in accordance with the transitional provisions of IFRS 15. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, so the notion of control replaces the previously existing notion of risks and rewards. IFRS 15 has no impact as the Company has no revenue. The Company will apply the new standard and related disclosures upon commencement of production.

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective for the current reporting period and have not been early adopted by the Company.

#### IFRS 16 - Leases

The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019. IFRS 16 may be applied before that date but only in conjunction with IFRS 15. The standard establishes principles to determine recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 and related interpretations.

The Company is party to various leases including land leases as part of the Amulsar mine development. All leases will be recorded on the statement of financial position, except short-term leases and leases of low-value items. This is expected to result in an increase to both "right of use" leased assets and lease obligations on the balance sheet upon adoption of the standard along with changes to the timing of recognition and classification of expenses associated with such lease arrangements.

The Company intends to adopt the modified retrospective approach and will not restate balances for the comparative period. The Company is completing its review of all existing operating leases to identify contracts in scope for IFRS 16 and the quantitative impact of the adoption.

#### 5. RESTRICTED CASH

As of December 31, 2018, and 2017, the Company held certain cash amounts, advanced under a credit agreement, that are required to be used to acquire equipment for Amulsar. Such cash amounts are restricted until expenditures to purchase equipment for Amulsar are acceptable to the lender.

#### 6. OTHER CURRENT ASSETS

	As of	
	December 31, 2018	December 31, 2017
Refundable VAT	\$ 9,870	\$ 57
Derivative assets	2,290	-
Government receivables	1,200	-
Advances to vendors and other receivables	394	1,005
Other	257	329
	<u>\$ 14,011</u>	<u>\$ 1,391</u>

# LYDIAN INTERNATIONAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(expressed in thousands of US Dollars, unless otherwise stated)

### 7. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Development Assets	Plant and Equipment	Total
<b>Cost</b>			
As of December 31, 2016	\$ 108,843	\$ 6,307	\$ 115,150
Additions	250,724	-	250,724
Disposals	-	(1,053)	(1,053)
Transfers of assets into service	(8,113)	8,113	-
Foreign exchange differences	-	9	9
As of December 31, 2017	\$ 351,454	\$ 13,376	\$ 364,830
Additions	93,583	9	93,592
Disposals	-	(64)	(64)
Impairment	(92,700)	-	(92,700)
Transfers of assets into service	(47,806)	47,806	-
As of December 31, 2018	\$ 304,531	\$ 61,127	\$ 365,658
<b>Accumulated Depreciation</b>			
As of December 31, 2016	\$ -	\$ 3,502	\$ 3,502
Additions	-	838	838
Disposals	-	(308)	(308)
Foreign exchange differences	-	9	9
As of December 31, 2017	\$ -	\$ 4,041	\$ 4,041
Additions	-	5,798	5,798
Disposals	-	(14)	(14)
As of December 31, 2018	\$ -	\$ 9,825	\$ 9,825
<b>Carrying Amount</b>			
As of December 31, 2017	\$ 351,454	\$ 9,335	\$ 360,789
As of December 31, 2018	\$ 304,531	\$ 51,302	\$ 355,833

See Note 19 for details on the development asset impairment.

The table below summarizes non-cash additions to development assets:

	For the year ended December 31,	
	2018	2017
Interest	\$ 13,197	\$ 14,107
Depreciation	2,622	830
Reclamation obligation	(414)	7,634
Share-based compensation	640	458
	\$ 16,045	\$ 23,029

## LYDIAN INTERNATIONAL LIMITED

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#### 8. DEFERRED FINANCING COSTS

As of December 31, 2016	\$	18,955
Additions		11,539
Reclassified to debt		(18,440)
As of December 31, 2017	\$	12,054
Additions		2,887
Write-off for unsuccessful financing		(683)
Reclassified to debt		(14,258)
As of December 31, 2018	\$	-

#### 9. OTHER NON-CURRENT ASSETS

	As of	
	December 31, 2018	December 31, 2017
Deferred VAT receivable	\$ 14,051	\$ 13,661
Refundable VAT	9,701	19,748
Restricted reclamation deposit	1,532	1,234
Derivative assets	-	2,789
Other	-	744
	<u>\$ 25,284</u>	<u>\$ 38,176</u>

Deferred VAT is associated with the import of equipment. Payments can be deferred for up to three years from the date of import; the receivable will become recoverable upon the Company's export of a finished product.

According to the Mining Right, Lydian Armenia is required to make installment payments to the Armenian government as a guarantee for post mining rehabilitation and government monitoring. The rehabilitation prepayments will be refunded to the Company after the Armenian government accepts the post mine closure rehabilitation work. Lydian Armenia is also required to prepay non-refundable post closure monitoring of Amulsar.

#### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of	
	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	\$ 3,732	\$ 34,889
Wage accruals	801	2,577
	<u>\$ 4,533</u>	<u>\$ 37,466</u>

# LYDIAN INTERNATIONAL LIMITED

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### 11. STREAM LIABILITY AND DEBT

	Stream Liability	Debt		
		Term Facility	Equipment Financing	Total Debt
As of December 31, 2016	\$ 60,269	\$ 981	\$ 10,000	\$ 10,981
Proceeds from borrowings	-	80,000	42,851	122,851
Reclassified from financing costs	-	(12,373)	(6,067)	(18,440)
Accrued interest	8,843	2,021	1,973	3,994
Amortization of financing costs	295	807	168	975
Debt payments	-	-	(1,054)	(1,054)
As of December 31, 2017	\$ 69,407	\$ 71,436	\$ 47,871	\$ 119,307
Proceeds from borrowings	-	61,896	33,556	95,452
Reclassified from financing costs	-	(9,296)	(4,962)	(14,258)
Accrued interest	8,771	11,973	5,210	17,183
Amortization of financing costs	295	5,357	2,595	7,952
Debt payments	-	-	(7,079)	(7,079)
As of December 31, 2018	\$ 78,473	\$ 141,366	\$ 77,191	\$ 218,557

As of December 31, 2018, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility and equipment financing facilities. As such, the stream, debt and associated derivatives are classified as current.

#### Amended and Restated Forbearance Agreement (A&R Forbearance Agreement)

The Company entered into the A&R Forbearance Agreement on December 21, 2018 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 case, 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. In January 2019 through an amendment to the Company's existing Term Facility Agreement ("Thirteenth Amending Agreement"), the senior lenders committed to make available up to \$18.6 million to fund the Company during the forbearance period and allow it to maintain a minimum unrestricted cash balance. See Note 27 for subsequent amendments.

#### Stream Agreement

The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market price, or \$400/oz. for gold and \$4/oz. for silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years. See Note 27 for subsequent amendments.

#### Term Facility and Cost Overrun Facility

The Company's Term Facility agreement provided for \$160.0 million on a senior secured basis for purposes of construction of Amulsar. Interest is based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%,

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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plus a 6.5% margin (8.5% margin during the forbearance period). Principal plus interest will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow beginning June 30, 2019 and continuing through maturity on September 30, 2021. Subsequent to December 31, 2018, all unutilized capacity was cancelled and replaced with a new Term Facility B pursuant to the Thirteenth Amending Agreement. The \$14.0 million cost overrun facility established as part of the Term Facility was also cancelled in January 2019 as part of the Thirteenth Amending Agreement. See Note 27 for subsequent amendments.

As of December 31, 2018, Term Facility draws totaling \$142.9 million had been received.

#### Equipment Financing

The Company entered into three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these term facilities is limited to \$90.0 million. A summary of each term facility is below:

- The Ameriabank Term Facility has a maximum principal amount of \$24.0 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% (10.75% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Interest and commitment fees are payable quarterly and principal payments become payable quarterly beginning June 30, 2019. As of December 31, 2018, \$10.0 million was drawn on this facility. Principal and interest payments of \$1.8 million were paid during the year ended December 31, 2018. Availability of additional funds is subject to satisfaction or waiver of certain conditions.
- The Cat Term Facility has a maximum principal amount of \$42.0 million and is secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5% (6.5% during the forbearance period) and there is a 1.5% commitment fee on any undrawn portion. Each advance is repayable over a 72-month term, inclusive of a six-month initial repayment grace period. The facility also requires a three-month principal and interest debt service reserve. As of December 31, 2018, \$28.4 million was drawn on this facility. Principal and interest payments of \$3.6 million were paid during the year ended December 31, 2018. Availability of funds is subject to satisfaction or waiver of certain conditions. The Company is precluded from utilizing any remaining availability by the A&R Forbearance Agreement.
- The ING Term Facility has a maximum principal amount of \$50.0 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95% (4.95% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Each advance is repayable over a 51-month term, with repayment of the first advance beginning in June 2019. As of December 31, 2018, \$48.0 million was drawn on this facility. Interest payments of \$1.7 million were paid during the year ended December 31, 2018. No additional funds can be drawn under the ING Term Facility as the availability period has expired.



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The table below presents the maturities of the stream liability and debt:

	As of December 31, 2018
Up to one year	\$ 297,030
More than one year and not later than five years	-
More than five years	-
	<u>\$ 297,030</u>

## 12. FINANCIAL INSTRUMENTS

The Company recognized certain financial instruments relating to the Financing Agreements including the stream liability, debt and derivatives as discussed in Note 11, Stream Liability and Debt. The classification of the derivative follows the Financing Agreements. The derivatives were classified as current as of December 31, 2018. None of these financial instruments are held for trading and the Company does not currently engage in hedge activities.

The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods:

	Derivative Assets (Liabilities)					
	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Public Offering Warrants	Loan Fee Warrants	Gain (Loss)
Fair Value Hierarchy Level <sup>1</sup>	3	3	3	2	2	
Fair value at December 31, 2016:	\$ 1,308	\$ (21,178)	\$ 6,284	\$ (4,261)	\$ (512)	
Change in fair value	1,481	(5,850)	(18,353)	4,261	180	\$ (18,281)
Fair value at December 31, 2017:	2,789	(27,028)	(12,069)	-	(332)	
Change in fair value	(499)	5,052	3,769	-	284	\$ 8,606
Fair value at December 31, 2018:	\$ 2,290	\$ (21,976)	\$ (8,300)	\$ -	\$ (48)	

Sensitivity impact upon fair value at December 31, 2018:

10% increase in gold price <sup>2</sup>	\$ 1,381	\$ (2,236)	\$ (10,012)	N/A	N/A	\$ (10,867)
10% increase in silver price <sup>2</sup>	\$ 129	N/A	\$ (812)	N/A	N/A	\$ (683)
10% increase in 3-month LIBOR rate <sup>2</sup>	\$ 20	\$ (1)	\$ (125)	N/A	N/A	\$ (106)

<sup>1</sup> The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

<sup>2</sup> The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

## LYDIAN INTERNATIONAL LIMITED

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#### Fair Value Measurement

*Level 1 Fair Value Estimates* - Fair value of the debt was initially estimated using Level 1 criteria, which was the proceeds from debt received by the Company. The fair value and carrying value of debt is the same for all reported periods.

*Level 2 Fair Value Estimates* - The warrants issued in connection with the Term Facility (Loan Fee - Warrants) are not trading instruments, therefore, use of a pricing model was deemed appropriate. Inputs used for calculating the fair value of the warrants include:

	As of	
	December 31, 2018	December 31, 2017
Warrants outstanding	5,000,000	5,000,000
Expected remaining life in years	0.40	1.40
Expected volatility	126.5%	48.0%
CAD Stock price per share on valuation date	\$0.16	\$0.38
CAD Exercise price	\$0.39	\$0.39
CAD Risk free interest rate	1.72%	1.47%
CAD/USD Exchange rate	0.7348	0.7977
Expected dividend per share	\$Nil	\$Nil

*Level 3 Fair Value Estimates* - Fair value of the derivatives, other than the warrants, were estimated using Level 3 criteria. The financial modeling techniques applied to these estimates are more complex, and require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates include:

	As of	
	December 31, 2018	December 31, 2017
Gold spot price per ounce	\$ 1,278	\$ 1,306
Silver spot price per ounce	\$ 15	\$ 17
10 year risk free interest rate	2.74%	2.42%
3-month LIBOR rate	2.832%	1.705%
Gold Future Curve (2024) L1 market observable	\$ 1,482.00	\$ 1,483.00
Commodity Inflator (dates past published forward curves)	2.78%	2.22%

The initial fair value of the stream liability, and of the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, and similar debt yields of mining companies. The other key inputs and assumptions to the valuations include the risk-free interest rate, production volumes consistent with the NI 43-101, gold and silver prices consistent with forward price curves, the availability of additional financing, and the volatility of gold and silver prices over a 3-year period.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. The key inputs used include the gold price and volatility, and the quotational period.

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The stream commodity linked repayment is modeled as a swap. A swap has a zero-fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change. The key input was the gold price.

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period as shown in the table above.

### 13. PROVISIONS

#### Reclamation provision

The provision for reclamation represents the present value of estimated future outflow of economic benefits that will be required to restore and rehabilitate Amulsar. The provision recognized as of December 31, 2018 relates only to the rehabilitation of Amulsar mine areas affected by exploration and development activities.

As of December 31, 2016	\$	452
Disturbances		<u>7,634</u>
As of December 31, 2017	\$	8,086
Accreting and unwinding of discount		901
Change in timing of cashflows		(853)
Foreign currency exchange		<u>3</u>
As of December 31, 2018	\$	<u>8,137</u>

At the end of each year, the Company reviews cost estimates and assumptions used in the valuation of environmental provisions. Changes in these cost estimates and assumptions have a corresponding impact on the carrying value of the obligation. The primary factors that can cause expected future cash flows to change are material changes in reserve estimates and the life-of-mine plan, and changes in laws and regulations governing the protection of the environment. The environmental provision established for reclamation and closure cost obligations represents the present value of rehabilitation costs for Amulsar.

For the year ended December 31, 2018, the Company updated the reclamation and closure cost obligation for Amulsar. The update was prepared based on management and third-party estimates. The total undiscounted expenditures adjusted for inflation are estimated at \$23.7 million as of December 31, 2018. The critical assumptions used in the updated estimate include the expected costs to be incurred up to the year 2037, the timing of those expenditures, the average inflation rate of 4% and the discount rate of 10.7% used to determine net present value. The estimates are based on the Central Bank of Armenia treasury bond rate and the Armenia inflation rate. See Note 9 for required rehabilitation prepayments to the Government of Armenia.

### 14. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

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	Number	Value
Shares outstanding, December 31, 2016	699,449,253	\$ 268,608
Shares issued under RSU Plan	1,391,080	418
Shares issued for cash, upon exercise of warrants	51,124,300	14,499
Amount attributable to expired options	-	69
Shares outstanding, December 31, 2017	751,964,633	\$ 283,594
Shares issued under RSU Plan	4,203,900	1,265
Amount attributable to expired options	-	65
Shares outstanding, December 31, 2018	756,168,533	\$ 284,924

The Company's warrants consist of the Loan Fee – Warrants. The total outstanding is shown below:

	Number of Warrants	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Yrs.)
Balance as of December 31, 2016	104,187,500	\$ 0.36	0.98
Exercised	(51,124,300)	0.36	N/A
Expired	(48,063,200)	0.36	N/A
Balance as of December 31, 2017	5,000,000	\$ 0.39	1.40
Exercised	-	-	N/A
Expired	-	-	N/A
Balance as of December 31, 2018	5,000,000	\$ 0.39	0.40

## 15. SHARE-BASED COMPENSATION

### Restricted Stock Unit Plan

On June 23, 2016, the shareholders approved the Company's Restricted Stock Unit ("RSU") Plan. Under the RSU Plan, awards can be either cash or equity settled upon vesting at the discretion of the Board of Directors. As the Company does not have a present obligation to settle in cash, the awards are treated as equity settled instruments and measured at fair value at the date of grant and recorded in equity. The associated compensation cost is recorded in share-based compensation expense unless directly attributable to development assets.

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The following table summarizes the outstanding restricted share units under the employee RSU Plan:

	Number of RSUs	Weighted Average Award Price (CAD)
Balance as of December 31, 2016	5,428,972	\$ 0.39
Granted	7,783,500	0.36
Forfeited/Expired	(1,689,628)	0.37
Redeemed	(1,391,080)	0.39
Balance as of December 31, 2017	10,131,764	\$ 0.37
Granted	9,223,789	0.43
Forfeited/Expired	(4,704,285)	0.40
Redeemed	(4,203,900)	0.38
Balance as of December 31, 2018	10,447,368	\$ 0.40

During the years ended December 31, 2018 and December 31, 2017, \$1.0 million and \$0.9 million were included in share-based compensation expense, \$0.6 million and \$0.5 million were capitalized to development assets, and \$0.2 million and \$nil were included in blockade costs, respectively.

#### Stock Option Plan

	Number of Options	Weighted Average Exercise Price (CAD)
Balance as of December 31, 2016	5,760,000	\$ 0.82
Expired	(190,000)	0.73
Balance as of December 31, 2017	5,570,000	\$ 0.83
Expired	(270,000)	0.50
Balance as of December 31, 2018	5,300,000	\$ 0.84

The following summarizes the outstanding and exercisable share options under the employee share option plan as of December 31, 2018:

Range of exercise prices	Outstanding options			Exercisable options		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price (CAD)	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price (CAD)
(CAD\$0-\$1.00)	3,010,000	1.12	\$ 0.63	3,010,000	1.12	\$ 0.63
(CAD\$1.01-\$2.00)	2,290,000	0.24	1.12	2,290,000	0.24	1.12
	5,300,000	0.74	\$ 0.84	5,300,000	0.74	\$ 0.84

#### 16. BLOCKADE EXPENSES

Following the change in the Government of Armenia in May 2018, demonstrations and road blockades have occurred sporadically throughout the country. These protests primarily targeted the mining sector, including the Amulsar project. Access to Amulsar has been blocked since June 2018. During the year ended December 31, 2018 blockade expenses of \$42.0 million relate to idle costs incurred during the blockade, including \$21.9

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million of interest, \$10.1 million of labor and contractor costs, \$5.2 million of indirect costs, \$3.2 million of depreciation and amortization and \$1.6 million of professional fees.

#### 17. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	For the year ended December 31,	
	2018	2017
Salaries and other compensation	\$ 4,135	\$ 3,327
Share-based compensation	997	958
	<u>\$ 5,132</u>	<u>\$ 4,285</u>

#### 18. GENERAL AND ADMINISTRATIVE EXPENSE

	For the year ended December 31,	
	2018	2017
Professional fees	\$ 1,340	1,187
Travel	696	718
Investor and public relations	168	273
Consulting and contractors	451	498
Other	828	566
	<u>\$ 3,483</u>	<u>\$ 3,242</u>

#### 19. IMPAIRMENT OF DEVELOPMENT ASSETS

In accordance with the Company's accounting policy, non-current assets, including the Amulsar development asset, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized when the carrying amount exceeds the recoverable amount.

At December 31, 2018, the Company determined that the recoverable amount of the Amulsar Gold Project was less than the carrying value. The recoverable amount was determined as the fair value less costs of disposal, using a discounted cash flow model. In December 2018, the Company recognized an impairment loss of \$92.7 million.

The discounted future cash flow model includes management's estimates for the timing of future cash flows. Key assumptions include initial capital expenditures, future operating costs, future sustaining capital expenditures, recoverable reserves, timing of future production, discounted at the appropriate rate. Key assumptions for impairment testing at December 31, 2018 include:

- Discount rate of 17%
- Gold price \$1,300
- Silver price \$16

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#### 20. OTHER (INCOME) EXPENSE, NET

	For the year ended December 31,	
	2018	2017
Write off of deferred financing costs	\$ 683	\$ -
Write down of asset carrying value	771	-
Loss (gain) on foreign currency	288	(1,088)
Other income	(16)	(9)
	<u>\$ 1,726</u>	<u>\$ (1,097)</u>

#### 21. INCOME TAXES

The Company reported current income tax expense of \$nil for the year ended December 31, 2018 in the consolidated statements of profit and loss.

The income tax expense differs from that computed by applying the applicable statutory rate before taxes as follows:

	For the year ended December 31,	
	2018	2017
Accounting (loss) for the year	\$ (136,084)	\$ (24,126)
Applicable tax rate	20.00%	20.00%
Income tax expense (benefit) at statutory rate	\$ (27,217)	\$ (4,825)
Increase (decrease) attributable to:		
Foreign tax rate differential	1,756	330
Tax-exempt and non-deductible items	3,000	4,464
Change in deferred tax assets not recognized	22,460	301
Other permanent differences	1	(243)
Income tax expense	<u>\$ -</u>	<u>\$ 27</u>

The Company has not recognized deferred taxes in its consolidated statement of financial position for the following amounts of deductible (taxable) temporary differences and net operating loss carryforwards:

	For the year ended December 31, 2018
Net operating losses	\$ 22,532
Other	173
Total for which deferred taxes have not been recognized	<u>\$ 22,705</u>

As of December 31, 2018, the Company had estimated available Armenian net operating loss carryforwards of AMD 11.2 billion which expire between 2019 and 2023. Management believes that sufficient uncertainty exists regarding the realization of the deferred tax assets associated with these net operating loss carryforwards such that they have not been recognized in the consolidated statements of financial position.

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The tax benefits not recognized reflect management's assessment regarding the future realization of these tax assets and estimates of future earnings and taxable income as of December 31, 2018.

#### 22. NET LOSS PER SHARE

	For the year ended December 31,	
	2018	2017
Net loss	\$ (136,084)	\$ (24,153)
Weighted average shares - basic and diluted	755,208,634	704,385,899
Net loss per share - basic and diluted	\$ (0.18)	\$ (0.03)

The treasury stock method assumes that all stock options and restricted stock units have been converted in determining fully diluted profit (loss) per share if they are in the money, except when such conversion is anti-dilutive.

#### 23. FINANCIAL RISK MANAGEMENT

As of December 31, 2018, the Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, the rehabilitation prepayment, accounts payable, accrued liabilities, debt and derivative contracts. The Company estimates that the fair values of these items approximate their carrying values at December 31, 2018 and December 31, 2017.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

##### Capital Management

The Amulsar Gold Project has not yet reached production, as such, the Company is dependent on external financing to fund its activities. The Company manages its capital structure and adjusts it based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, incur, repay or restructure debt, enter into strategic relationships, and acquire or dispose of assets to facilitate the management of its capital requirements. The Company has prepared expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment, general industry conditions and local conditions specific to Amulsar. The budgets are approved by the Company's Board of Directors and its Senior Lenders.

The capital required for the development of the Amulsar Gold Project was raised through the issuance of ordinary shares and associated warrants, deposits received in connection with the stream liability, and proceeds from debt. The net proceeds raised are used to advance the development of the Amulsar Gold Project and provide sufficient working capital to meet the Company's ongoing obligations. Access to available funds under the existing financing arrangements have been restricted by the Company's senior lenders due to the Government of Armenia's failure to take action in relation to the illegal blockades at the Amulsar site that are preventing the Company from completing construction. The Company has entered into an A&R Forbearance Agreement as discussed in Note 11 and other agreements as discussed in Note 27. Access to



## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

additional funds from the senior lenders during the forbearance period are limited and are subject to satisfaction or waiver of certain conditions. The Company will need additional funds for completion of the Amulsar Gold Project or other alternatives. The Company may be able to issue additional shares, restructure the existing debt, negotiate additional funding from the stream or incur additional debt subject to market conditions. However, the Company's Financing Agreements limit the amount of additional indebtedness. Consent of certain lenders would be required to increase the stream liability or the debt limitation.

Capital is comprised of the aggregate of total equity attributable to owners, accounts payable and accrued liabilities, stream liability and debt. As of December 31, 2018, and December 31, 2017, the Company's equity was \$45.4 million and \$179.6 million, accounts payable and accrued liabilities was \$4.5 million and \$37.5 million, and stream liability and debt, net of unamortized debt issuance costs of \$297.0 million and \$188.7 million, respectively.

#### Financial risk management

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk.

#### Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates or commodity prices, will affect the value of the Company's financial instruments.

(i) *Currency Risk* - Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the United States dollar and its primary operations are in Armenia.

The Company's net assets and liabilities are predominately held in US dollars, Armenian drams, Canadian dollars and the Euro. The sensitivity analysis below indicates an influence on net income where the US dollar strengthens 10% against the relevant currency, resulting in a loss of foreign currency exchange. If the US dollar weakens, an opposite impact on net income would be realized.

	For the year ended December 31,	
	2018	2017
Armenian dram	\$ (1,224)	\$ (2,930)
Canadian dollar	(87)	(4,992)
	<u>\$ (1,311)</u>	<u>\$ (7,922)</u>

The Company's currency risk policy is to hold funds primarily in the US Dollar, with funds held in the Armenian dram, the Canadian Dollar and the Euro roughly in proportion to expected future expenditure over the next quarter.

(ii) *Interest rate risk* - Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. The Company's exposure to interest rate fluctuations is due primarily to its long-term debt, which have interest rates based on LIBOR. The Company has not entered into any

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

agreements to hedge against unfavorable changes in the LIBOR rate. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on long-term debt.

Advances from the Term Facility bear interest at LIBOR plus 6.5% (subject to a minimum of 1%) and advances from Ameriabank Term Facility bear interest at LIBOR plus 8.75%. Advances under the ING Term Facility bear interest at LIBOR plus 2.95% and advances under the Cat Term Facility bear interest at LIBOR plus 4.5%. As of December 31, 2018, the Company had defaulted on certain loan provisions. As discussed in Note 11, the Company entered into an A&R Forbearance Agreement with its lenders whereby the interest rate is increased by 2% above the applicable rate in each agreement during the forbearance period which ends on June 30, 2019.

Sensitivity to a 1% change in interest rates for debt with all other variables held constant as of December 31, 2018, would affect the Consolidated Statements of Profit and Loss and Comprehensive Profit and Loss by \$2.9 million in 2018 and \$1.3 million in 2017.

The Company deposits cash into fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as of December 31, 2018 and 2017 with respect to its cash and cash equivalents and restricted cash positions.

*(iii) Commodity price risk* - The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions. There is no assurance that a profitable market will exist for gold and silver produced by the Company.

The financial instruments impacted by commodity prices are the embedded derivatives related to the Stream Agreement and the Offtake Agreement. See Note 12.

As of December 31, 2018, no gold or silver ounces had been delivered under these contracts. See Note 12 for the impact of a 10% appreciation or depreciation of gold or silver prices on the embedded derivatives.

#### **Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk is primarily liquid financial assets including cash and restricted cash. The Company has a concentration of cash at a major Canadian bank, however management considers its credit risk on cash and cash equivalents to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

As the Company has no revenue or trade receivables, management considers this credit risk as low. Advances are paid to major suppliers primarily relating to local construction companies for the development of the Amulsar project. Payment of these deposits is considered by management on a case by case basis. The VAT receivables and rehabilitation pre-payments are with the Republic of Armenia. The VAT will be refunded in future periods.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The below table shows the Company's balances:

	For the year ended December 31,	
	2018	2017
VAT receivables	\$ 33,806	\$ 33,461
Rehabilitation and monitoring prepayment	1,532	1,234
Advances to contractors	80	19,804
	<u>\$ 35,418</u>	<u>\$ 54,499</u>

During the years ended December 31, 2018 and 2017, there were no material impairment provisions required for any of the financial assets. There are no material financial assets that the Company considers past due. The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk.

#### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity may be adversely affected if its access to the capital and debt markets are hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the Company. During 2017 and through October 2018, the Company has relied on shareholders, advances under the stream, and debt funding to finance its operations and development of the Amulsar Gold Project. Due to the illegal blockades, the Company has not been able to access the Amulsar Gold Project site since June 2018 and as such, construction has been suspended and access to advances under its existing debt facilities have been restricted. The Company is in default of certain provisions of its financing agreements as of December 31, 2018 and while the Company has entered into an A&R Forbearance Agreement where by the Lenders have agreed to waive principal and interest payments until June 30, 2019, there can be no assurance that the Company will be able to settle borrowings and other long-term liabilities beyond that date.

The Company will require additional funds from other sources necessary to meet its development obligations. There is no assurance that the Company will be able to meet the conditions at the time funds are required or arrange any additional sources of funding, therefore liquidity risk is present until such a time as the conditions are satisfied and additional funding is arranged.

The ultimate responsibility for liquidity risk rests with the Board of Directors, which has designed an appropriate risk management framework for the management of the Company's short, medium and long-term funding requirements.

The Company's cash and cash equivalents are held in fully liquid bank accounts which are available on demand by the Company.

The Company's financial obligations consist of accounts payable and accrued liabilities, the stream liability, debt, and a provision for restoration and rehabilitation. The stream liability consists of a defined delivery obligation of ounces of gold and silver (6.75% of refined gold ounces up to an aggregate 142,454 ounces and 100% of refined silver ounces, up to an aggregate of 694,549 ounces) over an estimated ten years. See Note 11. Subsequent to December 31, 2018, the Company entered into an A&R Stream Agreement, see Note 27.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

As of December 31, 2018, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility and equipment financing facilities. As such, the stream, Term Facility and equipment financing facilities are shown as due within one year. The maturity schedule as of December 31, 2018 is as follows:

	For the year ended December 31, 2018			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 4,533	\$ -	\$ -	\$ 4,533
Debt and interest	297,030	-	-	297,030
Provisions	140	1,909	6,088	8,137
	<u>\$ 301,703</u>	<u>\$ 1,909</u>	<u>\$ 6,088</u>	<u>\$ 309,700</u>

#### Fair value of financial assets and liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See Note 12.

## 24. RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Company is Lydian International Limited. No individual party had overall control of the Company during the periods being presented. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related parties include the Board of Directors, key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Compensation awarded to key management for the periods indicated below was as follows:

	For the year ended December 31,	
	2018	2017
Salaries and other compensation	\$ 2,297	\$ 1,646
Share-based compensation	941	648
	<u>\$ 3,238</u>	<u>\$ 2,294</u>

## 25. COMMITMENTS

#### Leases

	As of December 31, 2018
Up to one year	\$ 1,691
More than one year and not later than five years	5,685
More than five years	7,440
	<u>\$ 14,816</u>

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

The Company leased a building in Jermuk, Armenia. As of December 31, 2018, the remaining commitments of \$1.7 million are included in the table above. The Company is entitled, but not obligated, to perform repair of the building at the Company's expense and must return it to the lessor in good condition and suitable for use at the end of the lease term. Subsequent to December 31, 2018, the Company has provided notice of termination for cause for this lease.

#### **Construction contracts**

The Company had entered into various contracts for purchase of equipment and supply, construction, and other service associated with Amulsar. Due to the blockades, most construction contractors were terminated or suspended. As of December 31, 2018, the Company had \$1.5 million in committed contracts.

#### **Rehabilitation payments**

In May 2016, Lydian Armenia signed an amended Mining Right with the Ministry of Energy, Infrastructure and Natural Resources of Armenia. Under the agreement, Lydian Armenia previously made payments to the Armenian government as a guarantee for post-mining environmental rehabilitation and for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD 121.9 million, or \$0.3 million over thirteen years commencing in 2016. In addition, Lydian Armenia is committed to invest annually AMD 61.0 million, or \$0.1 million after mine closure for workforce social mitigation and AMD 61.5 million, or \$0.1 million for adjacent communities' social-economic development. The rehabilitation guarantee will be refunded to the Company after mine closure when rehabilitation is completed and accepted by the Armenian government.

## **26. CONTINGENCIES**

#### **Contingent quarterly payment**

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% net smelter royalty ("NSR"). However, as provided for in the purchase agreement, on April 9, 2018 Lydian exercised its option to terminate the 3% NSR and in lieu thereof, elected the quarterly payment option to pay Newmont the aggregate sum of \$20.0 million, without interest, in 20 equal quarterly installments of \$1.0 million each, commencing on the first day of the third calendar month following the start of commercial production. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont. These potential payments do not meet the definition of an obligation as the triggering event had not occurred as of December 31, 2018 and, therefore, are not recognized in the consolidated financial statements.

## **27. SUBSEQUENT EVENTS**

#### **Amendments to existing agreements**

##### *A&R Stream Agreement*

On January 15, 2019, the Lydian International Limited and Lydian Armenia entered into an Amended and Restated Purchase and Sale Agreement (the "A&R Stream Agreement") with Osisko Bermuda Limited ("Osisko") and Resource Capital Fund VI L.P. ("RCF") (the "Purchasers"). This agreement amends and restates the purchase and sale agreement (gold and silver) that was originally entered on November 30, 2015 (the "Stream Agreement").

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

(expressed in thousands of US Dollars, unless otherwise stated)

Under the A&R Stream Agreement, the Purchasers have an option to make a third deposit (the "Third Deposit") in an amount of \$8.0 million during the period commencing on the Term Facility B Maturity Date (as defined below) and ending 10 business days thereafter. The Third Deposit amount may be paid in part or full by applying any amounts owing to RCF and Osisko under Term Facility B. However, the Purchasers shall not have the option to make a Third Deposit if the Term Facility B Maturity Date occurs due to a change of control of Lydian Armenia or any guarantor under the A&R Stream Agreement and the buyer in connection with the change of control has purchased all of the stream obligations from the Purchasers.

If the Third Deposit is made, the A&R Stream Agreement will apply for the entire duration of the life of Amulsar, otherwise the term of the A&R Stream Agreement will remain same as that of the Stream Agreement.

Under the A&R Stream Agreement, Lydian Armenia shall sell to the Purchasers, and the Purchasers shall purchase from Lydian Armenia, the Designated Gold Percentage and the Designated Silver Percentage. These terms are defined as follows:

- The Designated Gold Percentage means prior to the Third Deposit Date, 6.75% of the number of ounces of refined gold produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 165,000 ounces of refined gold have been delivered to the Purchasers, 6.75% of the number of ounces of refined gold produced from Amulsar, (ii) thereafter, until such time as an additional 35,000 ounces of refined gold have been delivered to the Purchasers, 2.70% of the number of ounces of refined gold produced from Amulsar, and (iii) thereafter, 2.3625% of the number of ounces of refined gold produced from Amulsar.
- The Designated Silver Percentage means prior to the Third Deposit Date, 100% of the number of ounces of refined silver produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 805,000 ounces of refined silver have been delivered to the Purchasers, 100% of the number of ounces of refined silver produced from Amulsar, (ii) thereafter, until such time as an additional 190,000 ounces of refined silver have been delivered to the Purchasers, 40% of the number of ounces of refined silver produced from Amulsar, and (iii) thereafter, 35% of the number of ounces of refined silver produced from Amulsar.

Additionally, if the Third Deposit is made, Lydian will no longer be able to elect to reduce the amount of refined gold and refined silver to be delivered and sold by Lydian Armenia by 50% in accordance with the terms of the A&R Stream Agreement.

#### *Thirteenth Amending Agreement*

On January 15, 2019, the Company also entered the Thirteenth Amendment to the Term Facility whereby: (a) Osisko was added as a lender, (b) all unfunded commitments under the Term Facility were cancelled, (c) all commitments under the cost overrun facility were cancelled, and (d) a new Term Facility B was made available to Lydian Armenia ("Term Facility B").

Term Facility B is for a total amount of \$18.6 million and available to be drawn in multiple advances through the earlier of (i) June 30, 2019, (ii) the date on which the A&R Forbearance Agreement terminates, and (iii) the date of change of control of Lydian Armenia or Lydian (the "Term Facility B Maturity Date").

## **LYDIAN INTERNATIONAL LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2018 and 2017**

(expressed in thousands of US Dollars, unless otherwise stated)

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All amounts advanced during December 2018 were deemed to have been advanced under the Term Facility B and the available commitment under the Term Facility B was reduced accordingly. For future advances under Term Facility B, the applicable percentages shall be 48.08% in respect of Orion, 34.37% in respect of Osisko and 17.55% in respect of RCF.

Subject to the A&R Forbearance Agreement, each advance under the Term Facility B bears an interest rate of 15% per annum. The default rate with respect to Term Facility B is 18.5% per annum.

#### **Approval of financial statements:**

The condensed consolidated financial statements for year ended December 31, 2018 were approved for issuance by the Board of Directors on March 12, 2019 and subsequent events have been reviewed through the date of approval.

# EXHIBIT “G”



*THIS IS EXHIBIT "G", referred to in the  
Affidavit of EDWARD A. SELLERS,  
sworn on December 22, 2019.*



*Commissioner for Taking Affidavits*



**LYDIAN INTERNATIONAL LIMITED**  
**UNAUDITED INTERIM**  
**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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# LYDIAN INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(expressed in thousands of US Dollars)

		As of	
	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents		\$ 4,089	\$ 3,386
Restricted cash		1,154	1,029
Other current assets	4	16,096	14,011
Total current assets		21,339	18,426
<i>Non-current assets</i>			
Mineral property, plant and equipment, net	5	320,106	355,833
Other non-current assets	6	8,134	25,284
Total non-current assets		328,240	381,117
<b>TOTAL ASSETS</b>		<b>\$ 349,579</b>	<b>\$ 399,543</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable and other current liabilities		\$ 1,334	\$ 4,349
Current deferred VAT payable		10,550	184
Stream liability and debt	7	342,486	297,030
Derivative liabilities	8	28,234	30,324
Current provisions	9	1,307	-
Total current liabilities		383,911	331,887
<i>Non-current liabilities</i>			
Provisions	9	6,361	8,137
Deferred VAT payable		3,857	14,051
Forbearance warrants	8	1,123	-
Non-current portion of lease liabilities	10	88	-
Total liabilities		395,340	354,075
<b>EQUITY</b>			
Share capital	11	286,074	284,924
Employee share-based plan reserves		1,213	4,769
Translation of foreign operations		(18,479)	(18,479)
Accumulated deficit		(314,569)	(225,746)
Total equity		(45,761)	45,468
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 349,579</b>	<b>\$ 399,543</b>

Going concern

1

Subsequent Events

7 & 20

On behalf of the Board of Directors:

"Russell Ball" (signed)

Russell Ball, Chairman of the Board

"Stephen Altmann" (signed)

Stephen Altmann, Chairman of the Audit Committee

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

# LYDIAN INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS) (UNAUDITED)

(expressed in thousands of US Dollars)

		For the three months ended September 30,		For the nine months ended September 30,	
	Note	2019	2018	2019	2018
Interest income		\$ 21	\$ 56	\$ 70	\$ 362
<b>Total income</b>		<b>21</b>	<b>56</b>	<b>70</b>	<b>362</b>
Dislocation-related expense	13	20,269	21,152	60,335	21,152
Employee salaries and benefits expense	14	451	830	1,435	3,724
General and administrative expense		604	898	1,964	2,621
Depreciation and amortization expense		17	5	53	28
(Gain) loss on financial instruments fair value, net	8	950	(8,810)	(650)	(13,816)
Impairment of mineral property	15	-	-	28,000	-
Other expense, net		(199)	1,119	(13)	1,526
<b>Total expense</b>		<b>22,092</b>	<b>15,194</b>	<b>91,124</b>	<b>15,235</b>
<b>Loss before income taxes</b>		<b>(22,071)</b>	<b>(15,138)</b>	<b>(91,054)</b>	<b>(14,873)</b>
Income taxes		-	9	-	17
<b>Net loss</b>		<b>\$ (22,071)</b>	<b>\$ (15,147)</b>	<b>\$ (91,054)</b>	<b>\$ (14,890)</b>
<b>Net loss per share (basic and diluted)</b>	16	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.12)</b>	<b>\$ (0.02)</b>
<b>Other comprehensive loss:</b>					
Net loss		\$ (22,071)	\$ (15,147)	\$ (91,054)	\$ (14,890)
Other comprehensive profit (loss):					
Currency translation adjustment		(34)	1	-	49
<b>Total comprehensive loss</b>		<b>\$ (22,105)</b>	<b>\$ (15,146)</b>	<b>\$ (91,054)</b>	<b>\$ (14,841)</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

# LYDIAN INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOWS (UNAUDITED)

(expressed in thousands of US Dollars)

		For the nine months ended September 30,	
	Note	2019	2018
<b>Cash from operating activities</b>			
Net loss		\$ (91,054)	\$ (14,890)
<i>Adjustments for:</i>			
Interest and other financing costs	7 & 8	41,657	9,268
Gain on financial instruments at fair value, net	8	(650)	(13,816)
Share-based compensation	12	(175)	627
Impairment of mineral property	15	28,000	-
Depreciation and amortization expense		4,792	1,515
Interest income		(70)	(362)
Other		2,001	1,318
<i>Working capital changes:</i>			
Change in other current assets		(198)	(931)
Change in accounts payable and accrued liabilities		(1,098)	3,514
<b>Cash used in operations</b>		<b>(16,795)</b>	<b>(13,757)</b>
<b>Cash flows from investing activities</b>			
Acquisition of mineral property, plant and equipment		(1,010)	(106,102)
Change in other assets		12,960	(4,456)
Interest income received		70	362
Other		-	29
<b>Cash provided by (used in) investing activities</b>		<b>12,020</b>	<b>(110,167)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	7	9,074	91,794
Financing costs	7	(300)	(3,169)
Debt repayments	7	(3,000)	(5,539)
Finance lease principle and interest payments	10	(182)	-
Restricted cash		(152)	(3,044)
<b>Cash provided by financing activities</b>		<b>5,440</b>	<b>80,042</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>665</b>	<b>(43,882)</b>
Foreign exchange effect on cash		38	150
Cash and cash equivalents, beginning of year		3,386	53,937
<b>Cash and cash equivalents, ending balance</b>		<b>\$ 4,089</b>	<b>\$ 10,205</b>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

# LYDIAN INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(expressed in thousands of US Dollars)

		Reserves				
	Share Capital	Employee share option plan reserve	Restricted stock unit plan reserve	Translation of foreign operations	Accumulated deficit	Total
<b>Balance at December 31, 2017</b>	\$ 283,594	\$ 2,635	\$ 1,588	\$ (18,528)	\$ (89,662)	\$ 179,627
Issue of new shares	1,097	-	(1,097)	-	-	-
Attributable to expired options	60	(60)	-	-	-	-
Share based compensation	-	16	1,251	-	-	1,267
Comprehensive profit (loss)	-	-	-	49	(14,890)	(14,841)
<b>Balance at September 30, 2018</b>	<u>\$ 284,751</u>	<u>\$ 2,591</u>	<u>\$ 1,742</u>	<u>\$ (18,479)</u>	<u>\$ (104,552)</u>	<u>\$ 166,053</u>
<b>Balance at December 31, 2018</b>	\$ 284,924	\$ 2,586	\$ 2,183	\$ (18,479)	\$ (225,746)	\$ 45,468
Issue of new shares	1,150	-	(1,150)	-	-	-
Attributable to expired options	-	(2,231)	-	-	2,231	-
Share based compensation	-	-	(175)	-	-	(175)
Comprehensive loss	-	-	-	-	(91,054)	(91,054)
<b>Balance at September 30, 2019</b>	<u>\$ 286,074</u>	<u>\$ 355</u>	<u>\$ 858</u>	<u>\$ (18,479)</u>	<u>\$ (314,569)</u>	<u>\$ (45,761)</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2019 and 2018

(expressed in thousands of US Dollars, unless otherwise stated)

#### 1. GENERAL INFORMATION AND GOING CONCERN

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, Francis Street, St Helier, Jersey JE2 4QE Channel Islands. Lydian's ordinary shares ("Ordinary Shares") are listed on the Toronto Stock Exchange ("TSX") and began trading under the symbol LYD on January 10, 2008.

Lydian, together with its subsidiaries (the "Company"), is a gold development company focusing on construction at its 100%-owned Amulsar Project ("Amulsar") located in south-central Armenia. Development at Amulsar is being conducted under the Mining Right ("Mining Right") issued by the Republic of Armenia in May 2016. Construction has been suspended due to actions and inactions of the Government of Armenia that, among other things, have permitted illegal blockades and prevented access to Amulsar since June 2018.

In conducting development activities in Armenia, the Company is subject to considerations and risks not typically associated with companies operating in Jersey, the United Kingdom, or Canada. These include but are not limited to risks such as non-enforcement of the rule of law, political, economic, and legal environments in emerging markets. The Company's results and prospects have been and continue to be adversely affected by changes in political and social conditions and adverse governmental policies specific to Lydian, mining laws and regulations, currency conversion, remittance abroad, rates and methods of taxation, and other factors.

These unaudited condensed consolidated financial statements were prepared on a going concern basis that assumes the Company continues and will be able to realize its assets and discharge its liabilities in the normal course of business. 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 Project. Despite court rulings in favor of the Company, a continuous illegal blockade at the Amulsar Project has been in place since June 22, 2018, causing construction activities to be suspended. 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 the Amulsar Project site 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 its 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. On October 14, 2019, the Company entered into the Fourth Amended and Restated Forbearance Agreement ("Fourth A&R Forbearance Agreement") which extends the forbearance to December 20, 2019. For additional detail see Note 7 and Note 20. As a result of these circumstances, the Company has incurred significant dislocation-related expenses, for additional detail see Note 13.

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 Fourth A&R Forbearance Agreement and funding under the Fifteenth Amending Agreement. Dislocation-related expenses will continue to be incurred until the illegal blockades are removed and unrestricted access for all purposes is available to the Company. Thereafter, the



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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 Fourth 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 Fourth A&R Forbearance Agreement, the Fifteenth Amending Agreement, 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, that may result in partial or full loss of the assets of the Company. During this forbearance period, Lydian will continue to engage with its senior lenders, stream financing providers, and equipment financiers 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 Fourth A&R Forbearance Agreement, the Fifteenth Amending Agreement, 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. These unaudited interim condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require additional material write downs of the carrying values of certain assets.

## 2. BASIS OF PRESENTATION, CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION UNCERTAINTIES

### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies applied in these unaudited interim condensed consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of new and amended standards as set out below.

The preparation of unaudited interim condensed consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. In management's opinion, all adjustments

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considered necessary for a fair presentation have been included in these unaudited interim condensed consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgements made by management applied in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for those significant judgements made by management arising from the adoption of new and amended accounting standards as set out in Note 3. For a description of the Company's critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements and related notes for the year ended December 31, 2018.

The format of the interim condensed financial statements has been changed from the format presented in the Company's audited annual consolidated financial statements for the year ended December 31, 2018 to reflect the adoption of new and amended accounting standards as set out in Note 3.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on November 11, 2019.

### 3. NEW ACCOUNTING PRONOUNCEMENTS

#### **Impact of adoption of new accounting standards that have been applied starting January 1, 2019**

##### *Overview of IFRS 16 – Leases*

The Company has adopted IFRS 16, *Leases* as of January 1, 2019 using the modified retrospective method and therefore has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore reflected as of January 1, 2019.

The Company leases office and warehouse space. These real estate property lease contracts are typically made for fixed periods of three to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants on the Company and leased assets are not used as security for borrowing purposes.

Until the end of 2018, leases of real estate property were classified as operating leases. Payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease.

##### *Effects of Adoption of IFRS 16*

On adoption of IFRS 16, the Company recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as operating leases under the principles of IAS 17, *Leases*. For additional detail, see Notes 5 and 10.

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### 4. OTHER CURRENT ASSETS

	September 30, 2019	December 31, 2018
Deferred VAT receivable	\$ 10,550	\$ 184
Refundable VAT	4,861	9,870
Advances to vendors and other receivables	581	394
Government receivables	33	1,200
Derivative assets	-	2,290
Other	71	73
	<u>\$ 16,096</u>	<u>\$ 14,011</u>

Deferred value added tax ("VAT") is associated with the import of equipment into Armenia. The regulations allow the Company to defer VAT payments for up to three years from the date of import. The deferred VAT receivable has an equal and offsetting deferred VAT payable. The deferred VAT receivable will become recoverable upon the company's export of a finished product.

#### 5. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Development Assets	Plant and Equipment		Total
		Cost	Accumulated Depreciation	
Balance at December 31, 2017	\$ 351,454	\$ 13,376	\$ (4,041)	\$ 360,789
Adjustments and additions	93,583	9	-	93,592
Impairment	(92,700)	-	-	(92,700)
Transfers of assets into service	(47,806)	47,806	-	-
Disposals	-	(64)	14	(50)
Depreciation and amortization	-	-	(5,798)	(5,798)
Balance at December 31, 2018	\$ 304,531	\$ 61,127	\$ (9,825)	\$ 355,833
Adjustments and additions	(3,740)	873	-	(2,867)
Impairment	(28,000)	-	-	(28,000)
Disposals	(68)	(126)	126	(68)
Depreciation and amortization	-	-	(4,792)	(4,792)
Balance at September 30, 2019	<u>\$ 272,723</u>	<u>\$ 61,874</u>	<u>\$ (14,491)</u>	<u>\$ 320,106</u>

As discussed in Note 3, upon adoption of IFRS 16, right-of-use assets related to leases were measured at an amount equal to the lease liability, adjusted for deposits and accruals as of January 1, 2019. Right-of-use assets due to the adoption of IFRS 16 of \$0.4 million are included as additions in plant and equipment as shown in the table above. For additional detail see Note 10.

See Note 15 for details on the impairment.

Non-cash additions to development assets for the nine months ended September 30, 2019 was \$(2.4) million primarily due to a reduction in the reclamation obligation and the associated asset as a result of a change in Amulsar's production time-line and the estimated inflation rate.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### 6. OTHER NON-CURRENT ASSETS

	September 30, 2019	December 31, 2018
Deferred VAT receivable	\$ 3,857	\$ 14,051
Refundable VAT	2,919	9,701
Restricted reclamation deposit	1,358	1,532
	<u>\$ 8,134</u>	<u>\$ 25,284</u>

According to the Mining Right, Lydian Armenia CJSC ("Lydian Armenia") is required to make installment payments to the Armenian government as a guarantee for post mining rehabilitation and government monitoring. These reclamation deposits will be refunded to the Company after the Armenian government accepts the post mine closure rehabilitation work.

#### 7. STREAM LIABILITY AND DEBT

	Stream Liability	Term Facilities	Equipment Financing	Total
As of December 31, 2017	\$ 69,407	\$ 71,436	\$ 47,871	\$ 188,714
Proceeds from borrowings	-	61,896	33,556	95,452
Financing Costs	-	(9,296)	(4,962)	(14,258)
Accrued interest	8,771	11,973	5,210	25,954
Amortization of financing costs	295	5,357	2,595	8,247
Debt payments	-	-	(7,079)	(7,079)
As of December 31, 2018	<u>\$ 78,473</u>	<u>\$ 141,366</u>	<u>\$ 77,191</u>	<u>\$ 297,030</u>
Proceeds from borrowings	-	9,074	-	9,074
Financing Costs	-	(300)	-	(300)
Accrued interest	6,649	14,053	5,677	26,379
Amortization of financing costs	221	9,528	3,554	13,303
Debt payments	-	-	(3,000)	(3,000)
As of September 30, 2019	<u>\$ 85,343</u>	<u>\$ 173,721</u>	<u>\$ 83,422</u>	<u>\$ 342,486</u>

As of September 30, 2019, the Company was in default of certain loan provisions contained in the stream agreement, the term facility and equipment financing facilities. As such, the stream, debt and associated derivatives are classified as current.

#### Forbearance Agreements

##### *Fourth Amended and Restated Forbearance Agreement ("Fourth A&R Forbearance Agreement")*

The Company entered into the Fourth A&R Forbearance Agreement on October 14, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) December 20, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by Lydian of the Fourth A&R Forbearance Agreement. Under this agreement Lydian Armenia continues to follow the strict budget prescribed in an itemized schedule which focuses on implementing a conservation plan and strategy anchored in asset stewardship, value preservation and site recovery, and implementing a strategic transaction. Advances from Term Facility B are subject to Lydian's progression in implementing certain strategic alternatives.

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#### *Third Amended and Restated Forbearance Agreement ("Third A&R Forbearance Agreement")*

The Company entered into the Third A&R Forbearance Agreement on October 1, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) October 11, 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 Third A&R Forbearance Agreement.

#### *Second Amended and Restated Forbearance Agreement ("Second A&R Forbearance Agreement")*

The Company entered into the Second A&R Forbearance Agreement on July 1, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to continue to forbear until the earlier of (a) September 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 Second A&R Forbearance Agreement.

Pursuant to the Second A&R Forbearance Agreement, on July 8, 2019 the Company issued 23,036,136 warrants to AB Svensk Exportkredit and 4,746,324 warrants to Ameriabank CJSC (collectively, the "Forbearance Warrants"), which represented 3.5% of the Company's issued and outstanding ordinary shares (on a fully diluted basis) as of July 1, 2019. The Forbearance Warrants are ordinary share purchase warrants, with each warrant being exercisable for one ordinary share of the Company. The Forbearance Warrants have a term of 5 years with an exercise price of CAD \$0.1495, the holders will have the ability to exercise the Forbearance Warrants on a cashless basis. Because the Forbearance Warrants have a conversion price in a currency other than the Company's functional currency, they represent a financial instrument and are measured at fair value on a recurring basis. See Note 8 for the inputs used for calculating the value.

Also pursuant to the Second A&R Forbearance Agreement, the company made principal payments of \$1.0 million on July 8, 2019 and \$2.0 million on September 30, 2019, on the Cat Term Facility.

#### *Amended and Restated Forbearance Agreement ("A&R Forbearance Agreement", collectively with the Second A&R Forbearance Agreement, Third A&R Forbearance Agreement and Fourth A&R Forbearance Agreement, the "Forbearance Agreements")*

The Company entered into the A&R Forbearance Agreement on December 21, 2018 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 case, 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. In January 2019 through an amendment to the Company's existing Term Facility Agreement ("Thirteenth Amending Agreement"), the senior lenders committed to make available up to \$18.6 million to fund the Company during the forbearance period and allow it to maintain a minimum unrestricted cash balance.

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#### Stream Agreement

The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market price, or \$400/oz. for gold and \$4/oz. for silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years.

#### *Amended and Restated Purchase and Sale Agreement ("A&R Stream Agreement")*

On January 15, 2019, the Company entered into the A&R Stream Agreement with Osisko Bermuda Limited ("Osisko") and Resource Capital Fund VI L.P. ("RCF") (the "Purchasers"). This agreement amends and restates the purchase and sale agreement (gold and silver) that was originally entered on November 30, 2015 (the "Stream Agreement").

Under the A&R Stream Agreement, the Purchasers have an option to make a third deposit (the "Third Deposit") in an amount of \$8.0 million during the period commencing on the Term Facility B Maturity Date (as defined below) and ending 10 business days thereafter. The Third Deposit amount may be paid in part or full by applying any amounts owing to RCF and Osisko under Term Facility B. However, the Purchasers shall not have the option to make a Third Deposit if the Term Facility B Maturity Date occurs due to a change of control of Lydian Armenia or any guarantor under the A&R Stream Agreement and the buyer in connection with the change of control has purchased all of the stream obligations from the Purchasers.

If the Third Deposit is made, the A&R Stream Agreement will apply for the entire duration of the life of Amulsar, otherwise the term of the A&R Stream Agreement will remain same as that of the Stream Agreement.

Under the A&R Stream Agreement, Lydian Armenia shall sell to the Purchasers, and the Purchasers shall purchase from Lydian Armenia, the Designated Gold Percentage and the Designated Silver Percentage. These terms are defined as follows:

- The Designated Gold Percentage means prior to the Third Deposit Date, 6.75% of the number of ounces of refined gold produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 165,000 ounces of refined gold have been delivered to the Purchasers, 6.75% of the number of ounces of refined gold produced from Amulsar, (ii) thereafter, until such time as an additional 35,000 ounces of refined gold have been delivered to the Purchasers, 2.70% of the number of ounces of refined gold produced from Amulsar, and (iii) thereafter, 2.3625% of the number of ounces of refined gold produced from Amulsar.
- The Designated Silver Percentage means prior to the Third Deposit Date, 100% of the number of ounces of refined silver produced from Amulsar, and following the Third Deposit Date (if any): (i) until such time as an aggregate of 805,000 ounces of refined silver have been delivered to the Purchasers, (ii) thereafter, until such time as an additional 190,000 ounces of refined silver have been delivered to the Purchasers, 40% of the number of ounces of refined silver produced from Amulsar, and (iii) thereafter, 35% of the number of ounces of refined silver produced from Amulsar.

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Additionally, if the Third Deposit is made, Lydian will no longer be able to elect to reduce the amount of refined gold and refined silver to be delivered and sold by Lydian Armenia by 50% in accordance with the terms of the A&R Stream Agreement.

#### Term Facilities

The Company's Term Facility agreement provided for \$160.0 million on a senior secured basis for purposes of construction of Amulsar. Interest is based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin (8.5% margin during the forbearance period). Principal plus interest will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow through maturity on September 30, 2021. In January 2019, all unutilized capacity was cancelled and replaced with a new Term Facility B ("Term Facility B") pursuant to the Thirteenth Amending Agreement. The \$14.0 million cost overrun facility established as part of the Term Facility was also cancelled in January 2019 as part of the Thirteenth Amending Agreement.

#### *Thirteenth Amendment to the Term Facility ("Thirteenth Amending Agreement")*

On January 15, 2019, the Company entered the Thirteenth Amending Agreement whereby: (a) Osisko was added as a lender, (b) all unfunded commitments under the Term Facility were cancelled, (c) all commitments under the cost overrun facility were cancelled, and (d) a new Term Facility B was made available to Lydian Armenia.

Term Facility B is for a total amount of \$18.6 million and available to be drawn in multiple advances through the earlier of (i) June 30, 2019, (ii) the date on which the A&R Forbearance Agreement terminates, and (iii) the date of change of control of Lydian Armenia or Lydian (the "Term Facility B Maturity Date").

All amounts advanced in December 2018 and during 2019 were deemed to have been advanced under the Term Facility B and the remaining available balance under the Term Facility B was reduced accordingly. For future advances under Term Facility B, the applicable percentages shall be 48.08% in respect of Orion, 34.37% in respect of Osisko and 17.55% in respect of RCF.

Subject to the A&R Forbearance Agreement, each advance under the Term Facility B bears an interest rate of 15% per annum plus an additional 2% during the forbearance period. The default rate with respect to Term Facility B is 18.5% per annum.

#### *Fourteenth Amendment to the Term Facility ("Fourteenth Amending Agreement")*

On July 1, 2019, the Company entered the Fourteenth Amending Agreement whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B through the earlier of (i) September 30, 2019, (ii) the date on which the Second Amended and Restated Forbearance Agreement terminates, and (iii) the date of change of control.

#### *Fifteenth Amendment to the Term Facility ("Fifteenth Amending Agreement")*

On October 1, 2019, the Company entered the Fifteenth Amending Agreement whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B through the earlier of (i) December 20, 2019, (ii) the date on which the Second Amended and Restated Forbearance Agreement terminates, and (iii) the date of change of control.

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As of September 30, 2019, Term Facility and Term Facility B draws totaling \$152.0 million had been received.

#### Equipment Financing

The Company entered into three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these term facilities is limited to \$90.0 million. A summary of each term facility is below:

- The Ameriabank Term Facility has a maximum principal amount of \$24.0 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% (10.75% during the forbearance period for any due and postponed payments). All scheduled principal and interest payments have been postponed in accordance with the Forbearance Agreements. As of September 30, 2019, \$10.0 million was drawn on this facility. There were no principal or interest payments made during the nine months ended September 30, 2019. Effective July 1, 2019, no additional funds can be drawn under the Ameriabank Term Facility and the 2% commitment fee on any undrawn portion has been eliminated.
- The Cat Term Facility has a maximum principal amount of \$42.0 million and is secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5% (6.5% during the forbearance period) and there is a 1.5% commitment fee on any undrawn portion. Each advance is repayable over a 72-month term, inclusive of a six-month initial repayment grace period. As of September 30, 2019, \$28.4 million was drawn on this facility. Principal payments of \$3.0 million were made during the three-month period ended September 30, 2019. No additional funds can be drawn under the Cat Term Facility as the availability period has expired.
- The ING Term Facility has a maximum principal amount of \$50.0 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95% (4.95% during the forbearance period). All scheduled principal and interest payments have been postponed in accordance with the Forbearance Agreements. As of September 30, 2019, \$48.0 million was drawn on this facility. There were no principal or interest payments made during the nine months ended September 30, 2019. No additional funds can be drawn under the ING Term Facility as the availability period has expired.

#### 8. FINANCIAL INSTRUMENTS

The Company recognized certain financial instruments relating to its financing agreements including the stream liability, debt and warrants as discussed in Note 7, Stream Liability and Debt. The classification of the offtake agreement and the stream commodity linked repayment follows the financing agreements. As of September 30, 2019, these were classified as current. The classification of the warrants follows their termination dates. As the Loan Fee – Warrants expired on May 25, 2019, there is no fair value as of September 30, 2019. The Forbearance Warrants are classified as noncurrent as of September 30, 2019. The net gains and losses of all these financial instruments are presented on the Unaudited Interim Condensed Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). None of these financial instruments are held for trading and the Company does not currently engage in hedge activities.



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The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods:

	Derivative Assets (Liabilities)				Gain (Loss)
	Stream	Offtake	Stream	Warrants	
	Prepayment Option	Agreement	Commodity Linked Repayment		
Fair Value Hierarchy Level <sup>1</sup>	3	3	3	2	
Fair value at December 31, 2017	\$ 2,789	\$ (27,028)	\$ (12,069)	\$ (332)	
Change in fair value	(499)	5,052	3,769	284	\$ 8,606
Fair value at December 31, 2018	\$ 2,290	\$ (21,976)	\$ (8,300)	\$ (48)	
Fair value at issuance	-	-	-	(1,973)	
Change in fair value	(2,290)	6,189	(4,147)	898	\$ 650
Fair Value at September 30, 2019	\$ -	\$ (15,787)	\$ (12,447)	\$ (1,123)	

Sensitivity impact upon fair value at September 30, 2019:

10% increase in gold price <sup>2</sup>	N/A	\$ (1,579)	\$ (7,665)	N/A	\$ (9,244)
10% increase in silver price <sup>2</sup>	N/A	N/A	\$ (838)	N/A	\$ (838)
10% increase in 3-month LIBOR rate <sup>2</sup>	N/A	\$ 21	\$ 471	N/A	\$ 492

<sup>1</sup>The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

<sup>2</sup>The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

#### Fair Value Measurement

**Level 1 Fair Value Estimates** - The fair value and carrying value of debt is the same for all reported periods.

**Level 2 Fair Value Estimates** – The fair value of the warrants was estimated using Level 2 criteria. The warrants issued in connection with the Term Facility (Loan Fee - Warrants) and the Second A&R Forbearance Agreement (Forbearance Warrants) are not trading instruments, therefore, the use of a pricing model was deemed appropriate.

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Inputs used for calculating the fair value of the warrants included:

	Forbearance - Warrants		Loan Fee - Warrants
	September 30, 2019	July 8, 2019	December 31, 2018
Warrants outstanding	27,782,460	27,782,460	5,000,000
Expected remaining life in years	4.77	5.00	0.40
Expected volatility - share price	83.1%	80.8%	126.5%
CAD Stock price per share on valuation date	\$0.10	\$0.15	\$0.16
CAD Exercise price	\$0.15	\$0.15	\$0.39
CAD Risk free interest rate	1.40%	1.41%	1.72%
CAD/USD Exchange rate	0.7553	0.7639	0.7348
Expected dividend per share	\$Nil	\$Nil	\$Nil

*Level 3 Fair Value Estimates* - Fair value of the derivatives, other than the warrants, were estimated using Level 3 criteria. The financial modeling techniques applied to these estimates are more complex, and require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates include:

	September 30, 2019	December 31, 2018
Gold spot price per ounce	\$ 1,466	\$ 1,278
Silver spot price per ounce	\$ 17	\$ 15
Gold Future Curve (2024) L1 market observable	\$ 1,581	\$ 1,482
10-year risk free interest rate	1.57%	2.74%
3-month LIBOR rate	2.12%	2.83%
Commodity Inflator (dates past published forward curves)	2.21%	2.78%
Expected Gold Volatility	11.32%	13.31%

The initial fair value of the stream liability, and the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, and similar debt yields of mining companies. Management believes that it is more likely than not that the third deposit under the A&R Stream Agreement will be exercised by the purchasers and therefore the stream prepayment option has nominal value as of September 30, 2019.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. The key inputs used include the gold price and volatility, and the quotational period.

The stream commodity linked repayment is modeled as a swap. A swap has a zero-fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change. The key input was the gold price.

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period as shown in the table above.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### 9. PROVISIONS

##### Current – Contract closure provision

The Company has a long-term operating contract with remaining commitments of \$3.1 million, that it expects to settle for an agreement to pay \$1.3 million or less within the next nine months.

##### Noncurrent - Reclamation provision

The provision for reclamation represents the present value of estimated future outflow of economic benefits that will be required to restore and rehabilitate Amulsar. The provision recognized as of September 30, 2019 related only to the rehabilitation of Amulsar mine areas affected by exploration and development activities.

Balance at December 31, 2017	\$	8,086
Change in timing of cashflows		(853)
Accreting and unwinding of discount		901
Foreign currency exchange		3
Balance at December 31, 2018	\$	8,137
Change in timing of cashflows		(1,161)
Change in inflation rate		(1,272)
Accreting and unwinding of discount		548
Foreign currency exchange		109
Balance at September 30, 2019	\$	6,361

#### 10. LEASE LIABILITIES

	September 30, 2019	December 31, 2018
Additions under adoption of IFRS 16	\$ 423	\$ -
Lease payments	(182)	-
Amortization of discount	47	-
Foreign currency exchange	3	-
Balance at September 30, 2019	\$ 291	\$ -

These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate of 17% as of January 1, 2019. According to IFRS 16, each lease payment is allocated between the lease liability and the finance cost. The finance cost, or amortization of the discount on the lease liability, is charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss).

The Company has considered the net present value of the following lease payments when calculating the lease liability on January 1, 2019:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option;

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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- Where a lease contains an extension option, the lease payments for the extension period were included in the calculation of the lease liability if the Company was reasonably certain that it would exercise the option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

No adjustments were required upon adoption of IFRS 16 for finance leases as the Company did not have any leases previously classified as such as of December 31, 2018.

On adoption of IFRS 16 on January 1, 2019 the right-of-use assets were measured at an amount equal to the lease liability, adjusted for lease deposits and accrued rent.

The current and noncurrent lease liabilities are shown in the table below:

	September 30, 2019	December 31, 2018
Current portion of lease liability	\$ 203	\$ -
Non-current portion of lease liability	88	-
Balance at September 30, 2019	<u>\$ 291</u>	<u>\$ -</u>

The total lease liability recognized as at January 1, 2019 was \$0.4 million. The current portion of the lease liability is included with accounts payable and other current liabilities in the Consolidated Statement of Financial Condition. Interest expense on lease liabilities is now included within dislocation-related expenses and other expense (income), net in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss). Cash payments for the interest and principal portions of lease liabilities are shown as cash flows from financing activities in the Consolidated Statements of Cash Flows.

Until the end of 2018, payments made under operating leases were charged to the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) on a straight-line basis over the period of the lease and thus operating lease payments were fully included in calculations of earnings per share. On adoption of IFRS 16, only depreciation charged from right-of-use assets and interest expense on lease liabilities are now included in the Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss) and are included in calculations of basic and diluted earnings per share. Although there were these differences in accounting treatment as a result of adoption of IFRS 16, the adoption of IFRS 16 resulted in no change in the Company's basic and diluted earnings per share for the nine-month period ended September 30, 2019.

Short-term lease payments and payments for leases of low-value assets are not included in the measurement of lease liabilities and are not shown in the Consolidated Statements of Financial Position in accordance with IFRS 16. These payments are shown within general and administrative expense or dislocation-related expense, depending on the lease, and within the operating activities section of the Consolidated Statements of Cash Flows.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### *Practical expedients applied*

In applying IFRS 16 for the first time, the Company has considered the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- The exclusion of low value leases (i.e., those with a value of less than \$5,000);
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and International Financial Reporting Interpretations Committee ("IFRIC") 4 *Determining whether an Arrangement contains a Lease*.

The significant judgements, estimates, and assumptions made by management applied in the preparation of these financial statements, specifically as they relate to IFRS 16 *Leases*, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease or groups of assets covered under leases, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgements, estimates, and assumptions over both of these factors would affect the present value of the lease liabilities upon adoption of IFRS 16, as well as the associated value of the right-of-use assets.

The table below analyzes the Company's lease liabilities into relevant contractual maturity date groupings based on the remaining period at the Consolidated Statements of Financial Position date to the contractual maturity date of the lease. The amounts shown in the table below are the contractual undiscounted cash flows related to lease liabilities.

	Less than 6 Months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Total Contractual Cash Flows	Carrying amount
Lease liabilities	\$ 123	\$ 123	\$ 92	\$ 3	\$ 341	\$ 291

The difference between the total contractual undiscounted cash flows related to lease payments to vendors and lessors and the carrying amount of the lease liability is the discount related to the lease liability.

#### 11. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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	Number	Value
Shares outstanding, December 31, 2017	751,964,633	\$ 283,594
Shares issued under RSU Plan	4,203,900	1,265
Amount attributable to expired options	-	65
Shares outstanding, December 31, 2018	756,168,533	\$ 284,924
Shares issued under RSU Plan	3,848,488	1,150
Shares outstanding, September 30, 2019	760,017,021	\$ 286,074

The Company's warrants consist of the Forbearance Warrants, which expire on July 8, 2024. Certain warrants issued by the Company in 2016 expired in May 2019. The total outstanding warrants are shown below:

	Number of Warrants	Exercise Price (CAD)
Balance as of December 31, 2017	5,000,000	\$ 0.39
Exercised	-	-
Expired	-	-
Balance at December 31, 2018	5,000,000	\$ 0.39
Issued	27,782,460	0.15
Expired	(5,000,000)	(0.39)
Balance at September 30, 2019	27,782,460	\$ 0.15

## 12. SHARE-BASED COMPENSATION

### Restricted Stock Unit Plan

The following table summarizes the outstanding restricted share units under the employee RSU Plan:

	Number of RSUs	Weighted Average Award Price (CAD)
Balance as of December 31, 2017	10,131,764	\$ 0.37
Granted	9,223,789	0.43
Forfeited/Expired	(4,704,285)	0.40
Redeemed	(4,203,900)	0.38
Balance at December 31, 2018	10,447,368	\$ 0.40
Forfeited/Expired	(2,624,170)	0.41
Redeemed	(3,848,488)	0.40
Balance at September 30, 2019	3,974,710	\$ 0.39

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### Stock Option Plan

	Number of Options	Weighted Average Exercise Price (CAD)
Balance as of December 31, 2017	5,570,000	\$ 0.83
Expired	(270,000)	0.50
Balance as of December 31, 2018	5,300,000	\$ 0.84
Expired	(3,670,000)	0.98
Balance as of September 30, 2019	1,630,000	\$ 0.52

The following summarizes the outstanding and exercisable share options under the employee share option plan as of September 30, 2019:

	Outstanding and exercisable options		
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price (CAD)
(CAD\$0-\$1.00)	1,630,000	0.71	\$ 0.52
(CAD\$1.01-\$2.00)	-	-	-
	1,630,000	0.71	\$ 0.52

For share-based compensation, during the three and nine-months ended September 30, 2019 \$nil and \$nil (2018: nil and \$0.6 million) were included in employee benefits expense. For the same periods \$nil and \$(0.2) million (2018: \$nil and \$nil) were included in dislocation-related expense. During the nine months ended September 30, 2019 and 2018 \$nil and \$0.6 million were capitalized to development assets, respectively.

#### 13. DISLOCATION-RELATED EXPENSE

Following the change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These protests primarily targeted the mining sector, including the Amulsar project. Access to Amulsar has been continuously blocked since June 2018. During the three and nine-months ended September 30, 2019 dislocation-related expense consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest and financing costs	\$ 13,973	\$ 9,268	\$ 41,764	\$ 9,268
Other (Indirects/Site G&A)	2,597	2,927	5,356	2,927
Depreciation and Accretion	1,753	1,487	5,287	1,487
Labor costs	917	6,678	4,056	6,678
Legal & Consulting	1,029	664	3,052	664
Standby, demobilization & winterization	-	128	820	128
	\$ 20,269	\$ 21,152	\$ 60,335	\$ 21,152

## LYDIAN INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### 14. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other compensation	\$ 402	\$ 769	\$ 1,407	\$ 3,051
Share-based compensation	49	61	28	673
	<u>\$ 451</u>	<u>\$ 830</u>	<u>\$ 1,435</u>	<u>\$ 3,724</u>

#### 15. IMPAIRMENT OF MINERAL PROPERTY, PLANT AND EQUIPMENT

In accordance with the Company's accounting policy, non-current assets, including the Amulsar development asset, are reviewed at each reporting date to determine whether there are any indicators of impairment. An impairment is recognized when the carrying amount exceeds the recoverable amount.

At March 31, 2019, the Company determined that the recoverable amount of the Amulsar Gold Project was less than the carrying value. The recoverable amount was determined as the fair value less costs of disposal, using a discounted cash flow model, as such, the Company recognized an additional impairment loss of \$28.0 million.

The discounted future cash flow model includes management's estimates for the timing of future cash flows. Key assumptions include initial capital expenditures, future operating costs, future sustaining capital expenditures, recoverable reserves, timing of future production, discounted at the appropriate rate. The primary driver for the additional impairment loss was an additional delay in the commercial production start date compared to the start date expected as of December 31, 2018, resulting from the events disclosed in Note 1. Key assumptions for the impairment testing include:

- Discount rate of 17%
- Gold price \$1,300
- Silver price \$16

#### 16. NET LOSS PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net loss	\$ (22,071)	\$ (15,147)	\$ (91,054)	\$ (14,890)
Weighted average shares - basic and dilutive	760,017,021	755,633,452	757,710,758	754,987,889
Net loss per share - basic and dilutive	\$ (0.03)	\$ (0.02)	\$ (0.12)	\$ (0.02)

The treasury stock method assumes that all stock options and restricted stock units have been converted in determining fully diluted profit (loss) per share if they are in the money, except when such conversion is anti-dilutive.



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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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#### 17. RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Company is Lydian International Limited. No individual party had overall control of the Company during the periods being presented. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Related party transactions primarily consist of compensation paid to members of the Board and executive management personnel. The compensation is comprised of Board fees, employee salaries, share-based long-term incentive plans, employee benefits and pension costs. One member of the Board has a contractual entitlement with the Company for payment of the remainder due of an annual retainer in the event the director's appointment is terminated other than for cause. None of the Board members are entitled to any other termination benefits, nor are they entitled to pension benefits.

Compensation awarded to key management was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and other compensation	\$ 348	\$ 411	\$ 2,238	\$ 1,756
Share-based compensation	23	68	111	573
	<u>\$ 371</u>	<u>\$ 479</u>	<u>\$ 2,349</u>	<u>\$ 2,329</u>

On August 9, 2019, a non-material subsidiary of the Company entered into a one-year, interest free loan for \$0.1 million with a party related to a member of executive management. As of September 30, 2019, the loan is classified as accounts payable and other current liabilities.

#### 18. COMMITMENTS

##### Construction contracts

The Company had entered into various contracts for purchase of equipment and supply, construction, and other service associated with Amulsar. Due to the blockades, all of the construction contractors were terminated or suspended.

##### Leases

##### Land Leases

The Company has multiple contracts for land use related to non-regenerative minerals at its Amulsar Gold Project which are outside of the scope of IFRS 16, *Leases*. The contracts are with three communities, Zaritap, Gorayq and Jermuk. All the contracts are either within close proximity to the mine site, or within the rock allocation area. These lands are necessary for the exploration or extraction of the mineralization at Amulsar. As of September 30, 2019, the Company had \$11.6 million in land use obligations, of which \$0.9 million are

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due in under one year, \$3.7 million in more than one year, but less than five years, and \$7.0 million in more than five years.

### *Software Leases*

The Company leases its accounting software through a software-as-a-service contract which is outside the scope of IFRS 16, *Leases*. The lease is \$0.1 million a year and expires in March 2022. Currently the Company is renegotiating the terms of this lease.

### **Rehabilitation payments**

In May 2016, Lydian Armenia signed an amended Mining Right with the Ministry of Energy, Infrastructure and Natural Resources of Armenia. Under the agreement, Lydian Armenia makes annual payments to the Armenian government as a guarantee for post-mining environmental rehabilitation and for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD 121.9 million, or \$0.3 million over thirteen years commencing in 2016. In addition, Lydian Armenia is committed to invest annually AMD 61.0 million, or \$0.1 million after mine closure for workforce social mitigation and AMD 61.5 million, or \$0.1 million for adjacent communities' social-economic development. The rehabilitation guarantee will be refunded to the Company after mine closure when rehabilitation is completed and accepted by the Armenian government. For additional detail see Note 9.

## **19. CONTINGENCIES**

### **Contingent quarterly payment**

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% net smelter royalty ("NSR"). However, as provided for in the purchase agreement, on April 9, 2018 Lydian exercised its option to terminate the 3% NSR, and in lieu thereof, elected the quarterly payment option to pay Newmont the aggregate sum of \$20.0 million, without interest, in 20 equal quarterly installments of \$1.0 million each, commencing on the first day of the third calendar month following the start of commercial production. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont. These potential payments do not meet the definition of an obligation as the triggering event had not occurred as of September 30, 2019 and, therefore, are not recognized in the unaudited interim condensed consolidated financial statements.

### **Taxes**

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by the tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create substantially more tax risks in Armenia than in other developing countries. The Company believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, however, the relevant authorities may have differing interpretations and the effects could be significant.

### **Environmental matters**

The Company is of the opinion that it has met the Government of Armenia's requirements concerning environmental matters and, therefore, believes that the Company has adequately provided for environmental

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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liabilities. However, environmental legislation in Armenia is in the process of development and potential changes in the legislation and its interpretation may give rise to material liabilities in the future.

## 20. SUBSEQUENT EVENTS

### Amendments to existing agreements

#### *Third A&R Forbearance Agreement*

On October 1, 2019 the Company entered into the Third Amended and Restated Forbearance Agreement with its senior lenders, stream financing providers and equipment financiers. For additional detail see Note 7.

#### *Fourth A&R Forbearance Agreement*

On October 14, 2019 the Company entered into the Fourth Amended and Restated Forbearance Agreement with its senior lenders, stream financing providers and equipment financiers. For additional detail see Note 7.

#### *Fifteenth Amending Agreement*

On October 1, 2019, the Company entered the Fifteenth Amendment to the Term Facility whereby the availability period and the maturity date of the Term Facility B were extended to December 20, 2019. For additional detail see Note 7.

## ARTICLE 8 TRANSFERS OF INTERESTS

### 8.1 Prohibition on Sale of Production Interests

Until the Deposit Reduction Date, except for this Agreement, the Offtake Agreement or with the Purchaser's prior written consent, neither Lydian nor the Seller shall, and Lydian shall not permit any Lydian Group Member to, Transfer a Production Interest (including the Newmont Royalty) relating to Minerals, or amend, modify or vary any existing Production Interest (including the Newmont Royalty) which would have the effect of increasing or accelerating any interest in the Minerals to the owner of such Production Interest.

### 8.2 Prohibition on Transfers and Change of Control

Except as set out in Section 8.3 or 8.4 or with the prior written consent of the Purchasers' Agent (at the direction of the Majority Purchasers), Lydian and the Seller shall not permit, and Lydian shall ensure that none of the Lydian Group Members:

- (a) Transfer, in whole or in part, Project Property or other Collateral (other than a Permitted Asset Disposition); or
- (b) agree to, or enter into any agreement, arrangement or other transaction with any Person that would cause, or otherwise allow or permit to occur, a Change of Control of the Seller or any Guarantor (other than Lydian).

### 8.3 Permitted Transfers and Changes of Control

Following the Guarantee Release Date, Section 8.2 shall not prohibit a Transfer or Change of Control, if:

#### Transfer of the Project Property

- (a) in the case of a Transfer of Project Property:
  - (i) the Seller shall have provided the Purchasers with at least 60 days prior written notice of the proposed Transfer;
  - (ii) the Seller, or any Person to which the Project Property has been transferred in accordance with Section 8.3(c), transfers all, but not less than all, of the Project Property (other than leased personal property that is not material to the Project that, by the terms of the lease, may not be transferred) to the same transferee (the "New Owner");
  - (iii) the Seller assigns all its rights and obligations under this Agreement to the New Owner concurrently with any such transfer of Project Property, and the New Owner and the ultimate parent owner thereof (if any) assume in favour of the Purchasers all of the Seller's and Lydian's respective obligations under this Agreement pursuant to an agreement in form and

substance satisfactory to the Purchasers' Agent, acting reasonably (upon such assumption and agreement and completion of the Transfer in accordance with this Section 8.3(a), the Seller and Lydian shall automatically be released from their respective obligations hereunder except for any obligations that remain outstanding or for any rights that have accrued to the Purchasers prior to such assumption and agreement);

- (iv) the New Owner and each Person that has a director or indirect interest in the New Owner grants the same charges and security interests in, to and over the Collateral, and enters into the same Security Documents, including Guarantees, entered into by the Lydian, the PSA Entities and the Seller pursuant to Article 9 (upon the execution and delivery of Security Documents, including Guarantees, and completion of the Transfer in accordance with this Section 8.3(a), the Lydian, the PSA Entities and the Seller shall automatically be released from their respective obligations thereunder, except for any obligations that remain outstanding or for any rights that have accrued to the Purchasers prior to such execution and delivery);
- (v) the Person referred to subsections (ii),(iii) and (iv) above satisfy the conditions set forth in Sections 3.3(c), 3.3(d), 3.3(l) (but in respect of all Security Documents), 3.3(n) and 3.3(o) as if the provisions applied to them, with appropriate modifications.
- (vi) all necessary consents and approvals of any Governmental Body or other Person are obtained or satisfied with respect to such Transfer;
- (vii) there is no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) that has occurred and is continuing;
- (viii) the Purchasers' Agent does not reasonably expect such Transfer to have a Material Adverse Effect (where, in the definition of "Material Adverse Effect", references to "Lydian Group Members" shall instead refer to the Persons referred to in subsections (ii), (iii) and (iv) above, as applicable);
- (ix) the Purchasers' Agent is satisfied that the New Owner is an Eligible Transferee; and
- (x) if the Persons referred to in subsections (ii), (iii) and (iv) above, or any of their Affiliates, have any outstanding Debt secured by the same assets secured under the Security Documents, their secured lenders shall have entered into an intercreditor agreement with the Purchasers on terms not less favourable to the Purchasers than those in the Credit Facility Intercreditor Agreement.

Change of Control

- (b) in the case of a Change of Control of the Seller or a PSA Entity:
- (i) the Seller shall have provided the Purchasers with at least 60 days prior written notice of the proposed Change of Control;
  - (ii) the Person acquiring control of the Seller or PSA Entity, as applicable, or, if the Person acquiring control is controlled by another Person, the ultimate parent owner thereof (the “**New Parent**”), assumes in favour of the Purchasers all of Lydian’s obligations under this Agreement, such assumption to occur pursuant to an agreement in form and substance satisfactory to the Purchasers’ Agent, acting reasonably (upon such assumption and agreement and completion of the Change of Control in accordance with this Section 8.3(b), Lydian shall automatically be released from its obligations hereunder except for any obligations that remain outstanding or for any rights that have accrued to the Purchasers prior to such assumption and agreement);
  - (iii) each Person that, as a result of the Change of Control, acquires a direct or indirect interest in the Project Property grants the same charges and security interests in, to and over the Collateral, and enters into the same Security Documents, including Guarantees, entered into by Lydian and the PSA Entities pursuant to Article 9 (upon the execution and delivery of Security Documents, including Guarantees, and completion of the Change of Control in accordance with this Section 8.3(b), but subject to subsection (iv) below, Lydian (if applicable) and the applicable PSA Entities shall automatically be released from their respective obligations thereunder, except for any obligations that remain outstanding or for any rights that have accrued to the Purchasers prior to such execution and delivery);
  - (iv) Lydian and the PSA Entities which will continue to hold a direct or indirect interest in the Project Property following the Change of Control shall grant the same security interests in, to and over any shares of the New Parent, its Subsidiaries and the Seller held by them that would be required to be granted by a minority interest holder in accordance with Section 8.3(d);
  - (v) the Persons referred to in subsections (ii), (iii) and (iv) above satisfy the conditions set forth in Sections 3.3(c), 3.3(d), 3.3(l) (but in respect of all Security Documents), 3.3(n) and 3.3(o) as if provisions applied to them, with appropriate modifications;
  - (vi) all necessary consents and approvals of any Governmental Body or other Person are obtained or satisfied with respect to such Change of Control;

- (vii) there is no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) that has occurred and is continuing;
- (viii) the Purchasers' Agent does not reasonably expect such Change of Control to have a Material Adverse Effect (where, in the definition of "Material Adverse Effect", references to "Lydian Group Members" shall instead refer to the Seller, any PSA Entities retaining an interest in the Seller, and the Persons referred to in subsections (ii), (iii) and (iv) above, as applicable);
- (ix) the Purchasers' Agent is satisfied that the New Parent is an Eligible Transferee; and
- (x) if the Persons referred to in subsections (ii), (iii) and (iv) above have any outstanding Debt secured by the same assets secured under the Security Documents, their secured lenders shall have entered into an intercreditor agreement with the Purchasers on terms not less favourable to the Purchasers than those in the Credit Facility Intercreditor Agreement.

#### Inter-corporate Transfers

- (c) in the case of a Transfer of Project Property or other Collateral to a Lydian Group Member:
  - (i) the Seller shall have provided the Purchasers with at least 60 days prior written notice of the proposed Transfer;
  - (ii) the Seller and Lydian provide a confirmation in writing in favour of the Purchasers that their respective obligations under this Agreement shall continue in full force and effect despite any such Transfer;
  - (iii) the provisions of Sections 8.3(a)(iv), 8.3(a)(v), 8.3(a)(vi), 8.3(a)(vii) and 8.3(a)(viii) are complied with *mutatis mutandis*;
  - (iv) the transferee shall have no Debt other than Permitted Debt; and
  - (v) if, following such Transfer, any Lydian Group Member has any outstanding Debt secured by the same assets secured under the Security Documents, its secured lenders shall have entered into an intercreditor agreement with the Purchasers on terms not less favourable to the Purchasers than those in the Credit Facility Intercreditor Agreement.

#### Joint Ventures and Minority Dispositions

- (d) in the case of Lydian or a PSA Entity entering into a minority interest disposition, joint venture or other similar commercial arrangement, in any case involving a

Transfer of Collateral (other than Project Property) with another Person that is not a Lydian Group Member:

- (i) the Seller shall have provided the Purchasers with at least 60 days prior written notice of the proposed disposition, joint venture or other similar commercial arrangement;
- (ii) Lydian retains at least an indirect majority undivided interest in the Project;
- (iii) a Lydian Group Member is at all times the operator of the Project;
- (iv) such other Person in a document, in form and substance satisfactory to the Purchasers' Agent, acknowledges to Lydian, the PSA Entities, the Purchasers and any other applicable Person, the obligations of Lydian, the Seller and the PSA Entities under this Agreement and the other Stream Documents, including the Guarantees and the granting to the Purchasers of the Security in and to the Project Property and other Collateral, and grants the same charges and security interests in, to and over the Collateral to which it acquires any legal right, title or interest, and enters into the same Security Documents entered into by Lydian and the PSA Entities pursuant to Article 9;
- (v) all filings have been made and all other actions have been taken that are required in order for the Purchasers to continue at all times following such transaction to have the valid and perfected security interest contemplated by Article 9;
- (vi) such other Person satisfies the conditions set forth in Sections 3.3(c), 3.3(d), 3.3(l) (but in respect of all Security Documents), 3.3(n) and 3.3(o) as if provisions applied to it, with appropriate modifications;
- (vii) all necessary consents and approvals of any Governmental Body or other Person obtained or satisfied with respect to such arrangements;
- (viii) there is no Seller Event of Default that has occurred and is continuing (or an event which with notice or lapse of time or both would become a Seller Event of Default);
- (ix) the Purchasers' Agent does not reasonably expect such transaction to have a Material Adverse Effect (where, in the definition of "Material Adverse Effect", references to "Lydian Group Members" shall instead refer to the Lydian Group Members and such Person); and
- (x) if such other Person or its Affiliates have outstanding Debt secured by the same assets as this Agreement and the Security Documents, its secured lenders shall have entered into an intercreditor agreement with the



Purchasers on terms and conditions not less favourable to the Purchasers than those in the Credit Facility Intercreditor Agreement.

#### **8.4 Abandonment**

If the Seller intends to abandon, surrender, relinquish or let lapse any of the Project Real Property, including by way of ceasing to maintain Project Authorizations or the validity of mineral claims, leases or exploration licenses (the "**Abandonment Property**"), the Seller shall (a) have determined, acting in a commercially reasonable manner, that it is not economical to mine minerals from the Abandonment Property, and (b) first give notice of such intention to the Purchasers' Agent at least 30 days in advance of the proposed date of abandonment. If, not later than 10 days before the proposed date of abandonment, the Seller receives from the Purchasers' Agent written notice that one or more of the Purchasers desire the Seller to convey or cause the conveyance of the Abandonment Property to such Purchasers or an assignee, the Seller shall, without additional consideration, convey or cause the conveyance of the Abandonment Property to such Purchasers on an as is where is basis and at the sole cost, risk and expense of such Purchasers and shall thereafter have no further obligation to maintain the title to the Abandonment Property. If the Purchasers' Agent does not give such notice to the Seller within the prescribed period of time, the Seller may abandon the Abandonment Property and shall thereafter have no further obligation to maintain the title to the Abandonment Property; provided, however, that if any Lydian Group Member reacquires a direct or indirect interest in any of the ground covered by the Abandonment Property at any time within seven years following abandonment, the production of gold and silver from such property shall be subject to this Agreement. The Seller shall give written notice to the Purchasers' Agent within ten days of any such reacquisition.

### **ARTICLE 9 SECURITY**

#### **9.1 Closing Date Security**

As security for the due and punctual payment of all of the Stream Obligations, Lydian and the Seller shall, and Lydian shall cause each of the other Lydian Group Members to, on or prior to the Closing Date, grant a continuing security interest and a first-ranking Encumbrance in favour of the Collateral Agent over all of the Collateral (subject only to Permitted Encumbrances), and in furtherance thereof shall deliver or cause to be delivered to the Collateral Agent, for the benefit of the Purchasers, in form and substance satisfactory to Purchasers' counsel, acting reasonably:

- (a) a Guarantee of the Stream Obligations from each Guarantor;
- (b) a General Security Agreement from Lydian;
- (c) the Jersey Bank Account Security Agreement;
- (d) Share Pledge Agreements from each applicable Guarantor with respect to equity interests in the Seller or any other Guarantor; and

- (e) all share certificates (to the extent shares can reasonably be certificated), stock powers of attorney, documentation, consents or authorizations necessary in order to make valid and effective the aforementioned agreements.

## 9.2 First Stage Security

As security for the due and punctual payment of all of the Stream Obligations, Lydian and the Seller shall, on or prior to the First Stage Security Deadline, deliver or cause to be delivered to the Collateral Agent, for the benefit of the Purchasers, in form and substance satisfactory to Purchasers' counsel, acting reasonably, the Pledge of Shares (to the extent not obtained prior to the First Stage Security Deadline) and the Initial Armenian Security Documents (it being acknowledged that the Encumbrance created by the Pledge of Rights shall not extend to any Material Contracts to which the consent of a third party to the charging thereof is required, if such consent has not been obtained).

## 9.3 Second Stage Security

As security for the due and punctual payment of all of the Stream Obligations, Lydian and the Seller shall, and Lydian shall cause each of the other Lydian Group Members to:

- (a) on or prior to the Second Stage Security Deadline, deliver or cause to be delivered to the Collateral Agent, for the benefit of the Purchasers, in form and substance satisfactory to Purchasers' counsel, acting reasonably:
  - (i) an assignment of the proceeds of any property insurance policy in which the Seller has an interest;
  - (ii) blocked account agreements among the applicable Lydian Group Member, the Collateral Agent and the applicable bank in respect of all bank accounts (other than bank accounts held in Armenia) held by the Seller, Lydian, Lydian International Holdings Limited or Lydian Resources Armenia Limited; and
  - (iii) all share certificates (to the extent shares can reasonably be certificated), share transfer forms, stock powers of attorney, documentation, consents or authorizations necessary in order to make valid and effective the agreements mentioned in Section 9.1 or 9.2 or this Section 9.3, or, with reasonable advance notice, otherwise reasonably required by the Purchasers' Agent or the Purchasers for the purposes of granting, protecting or ensuring a first-ranking (subject only to Permitted Encumbrances) perfected Encumbrance in favour of the Collateral Agent, for the benefit of the Purchasers, in all assets and property of the Seller and Guarantors; and
- (b) on or prior to the Second Deposit Date, deliver or cause to be delivered to the Collateral Agent, for the benefit of the Purchasers, in form and substance satisfactory to Purchasers' counsel, acting reasonably, a specific assignment of the Material Contracts that the Seller or any Guarantor is party to or bound by,

Error! Unknown document property name.

pursuant to a Pledge of Rights or otherwise, together with applicable acknowledgements from the counterparties thereto.

#### **9.4 Other Blocked Account Agreements**

In addition to Section 9.1(c) and 9.3(a)(ii), the Seller shall use commercially reasonable efforts to, on or prior to the Second Deposit Date, deliver or cause to be delivered to the Collateral Agent, for the benefit of the Purchasers, in form and substance satisfactory to Purchasers' counsel, acting reasonably, blocked account agreements among the applicable Lydian Group Member, the Collateral Agent and the applicable bank in respect of all bank accounts of the Seller in Armenia.

#### **9.5 Additional Security from New Subsidiaries**

Lydian shall cause each Person that becomes a Subsidiary of Lydian after the date hereof (by way of acquisition or otherwise), other than a Subsidiary which would be entitled to a release of its Guarantee and security at such time pursuant to Section 9.9, to promptly deliver to the Collateral Agent (a) a Guarantee of the Stream Obligations, (b) security over the undertaking, property and assets of such Subsidiary substantially to the same effect as the Security provided for in Sections 9.1, 9.2, 9.3 and 9.4, (c) a third party legal opinion from the Seller's counsel concerning such Subsidiary, Guarantee and security, to all be delivered to the Purchasers' Agent and to the Collateral Agent contemporaneously with such Person first becoming a Subsidiary of Lydian, together with all share certificates (to the extent shares can reasonably be certificated), share transfer forms, stock powers of attorney, consents, authorizations, registrations (or evidence of the filing of the same with the applicable authority for the purposes of registration) and supporting documentation (including updates to disclosure schedules hereto) in respect thereof as necessary in order to make valid and effective the aforementioned agreements and perfect the Encumbrances provided for therein.

#### **9.6 Further Assurances – Security**

Lydian and the Seller shall, and Lydian shall cause each other Guarantor to take, or cause to be taken such action and execute and deliver or cause to be executed and delivered to the Collateral Agent such agreements, documents and instruments as the Purchasers' Agent or the Collateral Agent shall reasonably request, and register, file or record the same (or a notice or financing statement in respect thereof) in all offices where such registration, filing or recording is, in the reasonable opinion of the Purchasers' Agent, the Collateral Agent or the Purchasers counsel, necessary or advisable to constitute, perfect and maintain the Security Documents referred to in Section 9.1, 9.2, 9.3 or 9.4 as first-ranking Encumbrances of the Person granting such Encumbrances, subject only to the Permitted Encumbrances, in all jurisdictions reasonably required by the Purchasers' Agent or the Collateral Agent, in each case within a reasonable time after the request therefor by the Purchasers' Agent or the Collateral Agent or the Purchasers' Agent's counsel, and in each case, in form and substance satisfactory to the Purchasers' Agent's counsel, acting reasonably.

#### **9.7 Security Effective Notwithstanding Date of Deposits**

The Security shall be effective and the undertakings in this Agreement and the other Stream Documents with respect thereto shall be continuing, whether the monies hereby or thereby secured or any part thereof shall be advanced before or after or at the same time as the creation of any such Security or before or after or upon the date of execution of this Agreement. The Security shall not be affected by any payments under this Agreement or any of the other Stream Documents, but shall constitute continuing security to and in favour of the Collateral Agent for the benefit of the Purchasers for the Stream Obligations from time to time.

#### **9.8 No Merger**

The Security shall not merge in any other security. No judgment obtained by or on behalf of the Purchasers shall in any way affect any of the provisions of this Agreement, the other Stream Documents or the Security. For greater certainty, no judgment obtained by or on behalf of the Purchasers shall in any way affect the obligation of the Seller to pay interest or other amounts at the rates, times and in the manner provided in this Agreement.

#### **9.9 Release of Security**

- (a) Subject to Sections 9.9(b) and 9.9(c), following indefeasible payment and performance in full of all Stream Obligations under this Agreement and the other Stream Documents, the Purchasers' Agent will promptly, at the request, cost and expense of the Seller, direct the Collateral Agent to release and discharge the right and interest of the Purchasers' Agent and the Purchasers in the Collateral.
- (b) From and after the Completion Date, and provided that no Event of Default or event that with notice, lapse of time or both, would result in an Event of Default has occurred and is continuing, the Purchasers' Agent will, at the request, cost and expense of the Seller, direct the Collateral Agent to release and discharge any Guarantee and Security provided by any Lydian Group Member (other than Lydian Resources Armenia Limited, Lydian International Holdings Limited and the Seller) and take all actions (including executing instruments and documents) reasonably requested by the relevant Lydian Group Member in order to release and discharge any such Guarantee and Security, provided that (i) in the case of a Subsidiary of Lydian, it is not a PSA Entity, and has entered into a Subordination and Postponement of Claims in respect of any Subordinated Intercompany Debt owed to it by the Seller or a continuing Guarantor, (ii) in the case of Lydian, it shall continue to guarantee the Stream Obligations, with recourse under its Guarantee limited solely to a pledge of the equity interests held by it in the Seller or any continuing Guarantor, and (iii) Lydian shall have delivered to the Purchasers' Agent a certificate of a senior officer of Lydian confirming: (A) no Seller Event of Default (or event which with notice or lapse of time or both would become a Seller Event of Default) has occurred and is continuing or would occur as a result of such release, and (B) the representations and warranties of the Seller and the Guarantors made in or pursuant to this Agreement and the other Stream Documents are true and correct on the date of such release prior to giving effect to

any such release (except to the extent such representations and warranties expressly relate to an earlier date, and in such case, shall be true and correct on and as of such earlier date) as if made on and as of the date of such release.

- (c) Subject to the Credit Facility Intercreditor Agreement, if any Collateral is disposed of as permitted by this Agreement or is otherwise released from the Security at the direction or with the consent of the Purchasers' Agent, at the request, cost and expense of the Seller (on satisfaction, or on being assured of concurrent satisfaction, of any condition to or obligation imposed with respect to such disposition), the Purchasers' Agent shall direct the Collateral Agent to discharge such Collateral from the Security and deliver and re-assign to the relevant Lydian Group Member (without any representation or warranty) any of such Collateral as is then in the possession of the Collateral Agent.

#### **9.10 Stockpiling**

If the Seller intends to stockpile, store, warehouse or otherwise place Minerals off the Project Real Property, before doing so, the Seller shall obtain from the property owner, operator or both, as applicable, where such stockpiling, storage, warehousing or other placement occurs, to provide in favour of the Collateral Agent a written acknowledgement in form and substance satisfactory to the Purchasers' Agent, acting reasonably, which provides that the Seller's and/or its Affiliates', as applicable, rights to the Minerals shall be preserved and which acknowledges the Purchasers' Encumbrances thereon and provides the Collateral Agent with a right of access in the event of enforcement by the Collateral Agent of the Security.

#### **9.11 Intercreditor Agreements**

The Purchasers agree to, in good faith, negotiate the terms of any intercreditor agreement to be entered into in connection with any Refinancing Facility, Equipment Financing or any Transfer permitted under Section 8.3, in each case having a view to achieving the principles set forth in this Agreement.

#### **9.12 Agreement to Subordinate**

After the Deposit Reduction Date, the Purchasers will subordinate the Security, on terms and conditions satisfactory to the Purchasers' Agent, acting reasonably, to the security interests of third-party lenders or financiers to any Lydian Group Member that specifically require priority.

### **ARTICLE 10 REPRESENTATIONS AND WARRANTIES**

#### **10.1 Representations and Warranties of Lydian and the Seller**

Lydian and the Seller, acknowledging that the other Parties are entering into this Agreement in reliance thereon, hereby jointly and severally make on and as of the Execution Date, the representations and warranties to other Parties set forth in Schedule Q. The representations and warranties in Schedule Q shall be deemed to be repeated by Lydian and the Sellers (a) on and as of the Closing Date; (b) on and as of the payment date of the balance of the First Deposit as

contemplated by 3.1(a)(i)(B), if applicable, (c) on and as of the Second Deposit Date, and (d) on and as of the Third Deposit Date, except to the extent that on or prior to such date the Seller shall have advised the Purchasers' Agent in writing of a variation in any such representation or warranty and the Purchasers' Agent acting reasonably has approved such variation.

#### **10.2 Representations and Warranties of the Purchaser**

Each Purchaser, acknowledging that the other Parties are entering into this Agreement in reliance thereon, makes, on and as of the Execution Date and the date of this Agreement, the representations and warranties to the Seller and the other Purchasers set forth in Schedule R.

#### **10.3 Survival of Representations and Warranties**

The representations and warranties set forth in Schedules Q and R shall survive the execution and delivery of this Agreement.

#### **10.4 Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the "knowledge" of Lydian or the Seller, it shall be deemed to refer to the actual knowledge of any of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Amulsar Project Lead and the Senior Vice President of Sustainability and Governance of each of Lydian and the Seller (or the functional equivalent of each of the foregoing) and all information which ought to have been known by any of them after conducting a reasonable inquiry into the matters in question, whether or not any such inquiry was actually made.

### **ARTICLE 11 SELLER EVENTS OF DEFAULT**

#### **11.1 Events of Default**

Each of the following events or circumstances constitutes an event of default by the Seller (each, a "Seller Event of Default"):

- (a) the Seller fails to sell and deliver the gold or silver to the Purchasers on the terms and conditions set forth in this Agreement within three Business Days of the date upon which sale and delivery is required hereunder;
- (b) the Seller fails to satisfy any condition set forth in Section 3.4 (unless waived by the Purchasers in writing) within the applicable time period set forth therein.
- (c) other than as provided in Sections 11.1(a) and 11.1(b), Lydian, the Seller or any Guarantor is in breach or default of any terms or conditions, or any of its covenants or obligations, set forth in this Agreement or any other Stream Document, which breach or default is not remedied within a period of 15 Business Days after the earlier of (i) delivery by the Purchasers' Agent to Lydian, the Seller

or any Guarantor, as applicable, of written notice of such breach or default, and (ii) such Person becoming aware of such breach;

- (d) Lydian, the Seller or any Guarantor makes any representation or warranty under any Stream Document which is, in any material respect (or in any respect in the case of representations and warranties that are qualified by materiality), incorrect or incomplete when made or deemed to be made;
- (e) Lydian, the Seller or any Guarantor ceases or threatens to cease to carry on its business or admits its inability, or fails, to pay its debts generally as they become due;
- (f) Lydian, the Seller or any Guarantor becomes bankrupt, whether voluntarily or involuntarily, or becomes subject to any proceeding seeking liquidation, arrangement, monitorship, relief of creditors or the appointment of a receiver or trustee over any of the Collateral, and such proceeding is not contested by Lydian, the Seller or such Guarantor, as applicable, diligently, in good faith and on a timely basis and dismissed or stayed within 30 days of its commencement or issuance (for greater certainty, such 30-day grace period shall not apply if Lydian, the Seller or such Guarantor becomes bankrupt voluntarily or any such proceedings are initiated by a Lydian Group Member);
- (g) an order is made or a resolution is passed for the winding up, liquidation or dissolution of Lydian, the Seller or any Guarantor;
- (h) all or any portion of the Collateral is sold, transferred, Encumbered or assigned without the consent of the Purchasers (other than pursuant to a Permitted Asset Disposition or other disposition permitted hereunder or Permitted Encumbrance, as applicable);
- (i) an Encumbrancer or any other Person takes possession of any of the Collateral by appointment of a receiver, receiver and manager, or otherwise;
- (j) Lydian or the Seller is in breach or default of its obligations under Section 8.1 or 8.2, or Lydian, the Seller or any Guarantor takes or seeks to take any action to abandon all or any material portion of the Collateral (other than as permitted under Section 8.4);
- (k) any Governmental Body directly or indirectly condemns, expropriates, nationalizes, seizes or appropriates Lydian, the Seller or any PSA Entity or any material portion of the Project Property;
- (l) it is or becomes unlawful, or any action taken by a Governmental Body makes it impractical or impossible, for Lydian, the Seller or any PSA Entity to perform any of its obligations in any material respect under any Stream Document; or
- (m) (i) any Lydian Group Member, or any director or officer of any of them has breached, or is charged with breaching, any AML Legislation, any Anti-

Corruption Laws or any Sanctions, or (ii) any employee or agent of any Lydian Group Member has breached, or is charged with breaching, any AML Legislation, any Anti-Corruption Laws or any Sanctions and the Lydian Group Member's relationship with such employees or agent is not terminated within 10 days of acquiring actual knowledge of such breach or charge.

In addition to the foregoing, until the Deposit Reduction Date, each of the following events or circumstances shall also constitute a Seller Event of Default;

- (n) the Seller or any Guarantor (i) fails to make any payment when such payment is due and payable to any Person in relation to any Debt having a principal amount in excess of \$1,000,000, and any applicable grace period in relation thereto has expired, or (ii) defaults in the observance or performance of any other agreement or condition in relation to any such Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs or condition exists, the effect of which default or other condition, if not remedied within any applicable grace period, would be to cause, or to permit the holder of such Debt to declare such Debt to become due prior to its stated maturity date;
- (o) the occurrence of (i) any "Default" or "Event of Default", as defined under any Credit Facility or Refinancing Facility, without giving effect to any amendments or waivers from the lenders thereunder, or (ii) any "Event of Default" as defined in the Newmont Share Charge;
- (p) any of the Security or any Stream Document is repudiated or contested by Lydian, the Seller or any Guarantor in whole or in part, ceases to be in full force and effect, or is invalidated or rendered unenforceable by any act, regulation or governmental action or is determined to be invalid by a court or other judicial entity or, in the case of the Security, to not constitute a first ranking priority Encumbrance in the Collateral, subject only to Permitted Encumbrances;
- (q) a final judgment, order, writ of execution, garnishment or attachment or similar process for an amount in excess of \$5,000,000 is issued or levied against Lydian, the Seller or any Guarantor or any material portion of the Collateral;
- (r) the Seller takes or seeks to take any action to (i) abandon the construction of the Project, (ii) put the Project on care and maintenance, or (iii) otherwise suspend construction, development or mining operations at the Project (other than temporary suspensions for sound operational reasons not to exceed three months);
- (s) any Material Project Authorization that has been previously obtained by the Seller is suspended, cancelled, revoked, forfeited, surrendered, refused renewal or terminated (whether in whole or in part) or otherwise is not, or ceases to be, in full force and effect at any time;
- (t) the Seller fails to obtain, or loses the right to, or benefit of, a Material Project Authorization;



- (u) a material default occurs and is continuing under any Material Project Agreement after giving effect to any cure period thereunder or any Material Project Agreement is terminated other than at scheduled maturity or with the prior written consent of the Purchasers' Agent (at the direction of the Majority Purchasers), acting reasonably;
- (v) the Commercial Production Date has not occurred by December 31, 2018;
- (w) the occurrence of a Material Adverse Effect; or
- (x) the termination of the Forbearance Agreement for any reason whatsoever.

## 11.2 Remedies

- (a) If a Seller Event of Default occurs and is continuing, the Purchasers shall have the right, upon written notice from the Purchasers' Agent (at the direction of the Majority Purchasers) to the Seller, at their option and in addition to and not in substitution for any other remedies available to the Purchasers hereunder or at law or equity, to take any or all of the following actions:
  - (i) demand all amounts and deliveries owing by the Seller to the Purchasers;
  - (ii) terminate this Agreement by written notice to the Seller and, without limiting Section 11.2(a)(i), demand all Losses suffered or incurred as a result of the occurrence of such Seller Event of Default and termination, including the greater of (A) the Uncredited Balance, and (B) the applicable amount of the following:
    - (1) at any time prior to the Commercial Production Date: the Early Termination Amount;
    - (2) at any time on or after the Commercial Production Date and prior to the third anniversary of the Commercial Production Date: \$110,000,000; or
    - (3) at any time on or after the third anniversary of the Commercial Production Date: the NPV of the Remaining Stream, provided that for the purposes of this Section 11.2(a)(ii)(4) only, a 7.0% discount rate will be applied; and
  - (iii) direct the Collateral Agent to enforce the Security.
- (b) The Parties hereby acknowledge and agree that (i) the Purchasers will be damaged by a Seller Event of Default; (ii) it would be impracticable or extremely difficult to fix the actual damages resulting from a Seller Event of Default; (iii) any sums payable in accordance with Section 11.2(a)(ii) with respect to a Seller Event of Default are in the nature of liquidated damages, not a penalty, and are fair and

reasonable; and (iv) the amount payable in accordance with Section 11.2(a)(ii) with respect to a Seller Event of Default represents a reasonable estimate of fair compensation for the losses that may reasonably be anticipated from such Seller Event of Default in full and final satisfaction of all amounts owed in respect of such Seller Event of Default.

- (c) For greater certainty, if the Majority Purchasers do not exercise their termination right under Section 11.2(a)(ii), the obligations of the Seller and Lydian or any successors following a realization hereunder shall continue in full force and effect.

## ARTICLE 12 PURCHASER EVENTS OF DEFAULT

### 12.1 Events of Default

Each of the following events or circumstances constitutes an event of default by a Purchaser (each, a **"Purchaser Event of Default"**):

- (a) such Purchaser (the **"Defaulting Purchaser"**) fails to pay any portion of the Deposit to the Seller in accordance with this Agreement where all of the conditions in Section 3.3 or Section 3.4, as applicable, have been satisfied or waived (any such unpaid portion of the Deposit, the **"Unpaid Deposit"**);
- (b) other than as provided in Section 12.1(a), such Purchaser is in breach or default of any terms or conditions, or any of its covenants or obligations, set forth in this Agreement or any other Stream Document, which breach or default is not remedied within a period of 15 Business Days after the earlier of (i) delivery by the Seller to such Purchaser of written notice of such breach or default, and (ii) such Purchaser becoming aware of such breach; or
- (c) such Purchaser makes any representation or warranty under any Stream Document which is, in any material respect (or in any respect in the case of representations and warranties that are qualified by materiality), incorrect or incomplete when made or deemed to be made.

### 12.2 Replacement Purchaser

If a Purchaser Event of Default described in Section 12.1(a) has occurred and is continuing for more than three Business Days:

- (a) The Defaulting Purchaser shall cease to have the right to fund its share of the Deposit as of the end of the third Business Day (the **"Termination Date"**) following such Purchaser Event of Default.
- (b) The non-Defaulting Purchasers shall have the right, which may be exercised in their sole discretion, to pay the remaining unfunded portion of the Deposit for a period of 12 Business Days following the Termination Date. If more than one

non-Defaulting Purchaser wishes to exercise such right, their respective entitlements shall be determined on a pro rata basis. Upon payment of any further portion of the Deposit by a non-Defaulting Purchaser in accordance with the foregoing, the Commitments of the Purchasers shall be adjusted accordingly and the Purchasers' Agent shall update Schedule C to reflect the foregoing.

- (c) If the non-Defaulting Purchasers do not pay the remaining unfunded portion of the Deposit in accordance with clause (b) above, the Seller shall have until the 90th day following the Termination Date to find another Person (which may be one of the non-Defaulting Purchasers) to advance the unfunded portion of the Deposit (a "**Replacement Purchaser**"). The Seller and the non-Defaulting Purchasers shall use their reasonable commercial efforts and cooperate with each other in furtherance of the foregoing, and the Seller shall accept as a Replacement Purchaser any Person identified by the non-Defaulting Purchasers and would meet the requirements to be an assignee of one of the Purchasers in accordance with Section 17.11 (but assuming that the Deposit has been paid for such purpose). Upon payment of any further portion of the Deposit by a Replacement Purchaser in accordance with the foregoing, the Replacement Purchaser shall become a Purchaser under the terms of this Agreement (and shall execute all agreements and other documents reasonably required by the Purchasers' Agent in order to effect the foregoing), the Commitments of the Purchasers shall be adjusted accordingly and the Purchasers' Agent shall update Schedule C to reflect the foregoing.

### 12.3 Remedies

- (a) In addition to the Seller's rights under Section 14.3 and in addition to and not in substitution for any other remedies available to it hereunder or at law or in equity, if a Purchaser Event of Default described in Section 12.1(a) has occurred and is continuing, then the Seller shall, subject to Section 12.2, have the right to terminate this Agreement with respect to the Defaulting Purchaser who has committed such Purchaser Event of Default by written notice to such Purchaser and demand all Losses suffered or incurred as a result of the occurrence of such Purchaser Event of Default and termination. Notwithstanding the foregoing, in the event that a Defaulting Purchaser has disputed the satisfaction of any condition precedent in respect of a relevant portion of the Unpaid Deposit, and such dispute is determined favourably to the Seller in accordance with the provisions hereof, such Purchaser will have 10 Business Days to pay such Unpaid Deposit before the Seller may exercise its rights under this Section 12.3(a). The Purchasers' Agent shall update Schedule C to reflect the foregoing.
- (b) If the Seller has terminated this Agreement in respect of a Defaulting Purchaser pursuant to Section 12.3(a) following a Purchaser Event of Default (i) the funded and unfunded Commitments of such Purchaser will be terminated and canceled; (ii) such Purchaser will have no right to have any previously funded Commitments returned to such Purchaser, and (ii) the Designated Gold Percentage, the Designated Silver Percentage and the Deposit shall each be

reduced proportionately with the amount that the funded and unfunded Commitments of such Purchaser bears in relation to the amount of the total Deposit prior to such default.

- (c) If a Purchaser Event of Default under Section 12.1(b) or 12.1(c) has occurred and is continuing, the Seller shall have no right to terminate this Agreement, but shall be entitled to all other remedies available to it under this Agreement or at law or in equity.

### **ARTICLE 13 THE PURCHASERS AND THE PURCHASERS' AGENT**

#### **13.1 Decision-Making**

- (a) Any amendment, waiver, discharge or termination with respect to this Agreement relating to the following matters shall be effective only if agreed between the Seller and the Unanimous Purchasers:
  - (i) any amount payable or deliverable by the Seller to the Purchasers, or any alteration in the currency or mode of calculation or computation of any amount payable or deliverable by the Seller to the Purchasers hereunder;
  - (ii) any change in the amount of the Second Deposit;
  - (iii) any change to Article 11 or what constitutes a Seller Event of Default;
  - (iv) any change to Article 12 or what constitutes a Purchaser Event of Default;
  - (v) any extension or reduction of the time for any payments or deliveries required to be made by the Seller to the Purchasers;
  - (vi) any extension or reduction of the notice period required in connection with any payment or delivery by the Seller to the Purchasers;
  - (vii) any material change in the nature and scope of the Security or any release or discharge of any material portion of the Security, except that the Collateral Agent may from time to time without notice to or the consent of the Purchasers execute and deliver partial releases of the Security from time to time in respect of any item of the Collateral to the extent expressly permitted in this Agreement;
  - (viii) any provision of this Article 13; or
  - (ix) the reduction or elimination of any rights of any Purchaser, acting alone or together with other Purchasers, to exercise any rights or receive any information.

- (b) Except for the matters described in this Section 13.1 above or otherwise expressly provided for in this Agreement, any amendment, waiver, discharge or termination with respect to this Agreement shall be effective only, if agreed between the Seller and the Majority Purchasers, in writing and any such amendment, waiver, discharge or termination that is so agreed shall be final and binding upon all of the Purchasers. Subject to the other provisions of this Section 13.1, where the terms of this Agreement refer to any action to be taken hereunder or thereunder by the Purchasers or to any such action that requires the consent or other determination of the Purchasers, the action taken by and the consent or other determination given or made by the Majority Purchasers shall, except to the extent that this Agreement expressly provides to the contrary, constitute the action or consent or other determination of the Purchasers.
- (c) The Purchaser's Agent shall provide the other Purchasers with copies of all amendments, waivers or consents provided by the Purchasers' Agent with respect to any provisions of this Agreement or other Stream Documents promptly upon execution thereof.
- (d) To the extent that any of the Purchasers has an interest in the subject matter of any decision (other than the appointment of the Purchasers' Agent) requiring approval of the Purchasers and such interest is adverse in any material respect from the interest of any other Purchasers, in their capacity as Purchasers, such Purchaser's Commitments or Purchaser's Share, as applicable, shall be disregarded in determining the approval of the Majority Purchasers or Unanimous Purchasers, as applicable.

### **13.2 Purchasers' Obligations Several; No Partnership**

Subject to the terms and conditions of this Agreement, each Purchaser agrees to fund its respective Commitments to the Seller. The obligations of each Purchaser under this Agreement are several and not joint or joint and several. No Purchaser shall be responsible for the obligations of any other Purchaser hereunder. Neither the entering into of this Agreement nor the completion of any transactions contemplated herein shall constitute the Purchasers a partnership.

### **13.3 Credit Facility Intercreditor Agreement**

The rights and obligations of the Collateral Agent shall be governed by the provisions of the Credit Facility Intercreditor Agreement. The exercise of the Purchasers' Agent's rights under the Credit Facility Intercreditor Agreement, including appointment of the Collateral Agent, shall, subject to Section 13.1, be taken at the direction of the Majority Purchasers.

### **13.4 Purchasers' Agent**

- (a) From time to time, the Purchasers may authorize one of the Purchasers, or an Affiliate of one of the Purchasers to act as the Purchasers' Agent for taking the actions of the Purchasers' Agent specified under the Stream Documents. The Purchasers' Agent shall be Osisko Bermuda Limited or as otherwise be designated from time to time by notice in writing from the Majority Purchasers to the other Parties.

- (b) In exercising its duties hereunder, the Purchasers' Agent may engage and pay for the advice or services of any lawyers, accountants or other experts whose advice or services may to it seem necessary, expedient or desirable and rely upon any advice so obtained. The Purchasers' Agent may refrain from exercising any right, power or discretion vested in it under this Agreement which would or might in its opinion in its sole discretion be contrary to any Applicable Law or otherwise render it liable to any Person, and may do anything which is in its opinion in its sole discretion necessary to comply with any such Applicable Law. The Purchasers' Agent shall not be bound to disclose to any Person any information relating to any Lydian Group Member if such disclosure would or might in its opinion in its sole discretion constitute a breach of Applicable Law or be otherwise actionable at the suit of any Person.
- (c) The Purchasers' Agent shall not accept any responsibility for the accuracy and/or completeness of any information supplied in connection herewith and the Purchasers' Agent shall not be under any liability to any Purchaser as a result of taking or omitting to take any action in relation to the Stream Documents save in the case of the Purchasers' Agent's gross negligence or wilful misconduct.
- (d) Each Purchaser shall, on demand by the Purchasers' Agent, indemnify the Purchasers' Agent *pro rata* (based on each Purchaser's share of funded and unfunded Commitments), against any and all costs, claims, reasonable expenses (including legal fees) and liabilities which the Purchasers' Agent may incur (and which, where applicable, have not been reimbursed by the Seller) to the extent required hereunder, otherwise than by reason of its own gross negligence or wilful misconduct, in acting in its capacity as the Purchasers' Agent under the Stream Documents.

### 13.5 Sharing of Information

Notwithstanding Section 6.8, the Purchasers may share among themselves any information they may have from time to time concerning the Lydian Group Members whether or not such information is confidential; but shall have no obligation to do so. Each Lydian Group Member authorizes the Purchasers to share among each other any information possessed by any of them regarding the Lydian Group Members.

### 13.6 Amendments to this Article

The Purchasers may amend any provision in this Article 13 without prior notice to or the consent of Lydian and the Seller, and the Purchasers shall provide a copy of any such amendment to Lydian and the Seller reasonably promptly thereafter; *provided, however*, that if any such amendment would adversely affect any rights, entitlements, obligations or liabilities of any of Lydian Group Member (other than in a *de minimus* manner), such amendment shall not be effective until Lydian and the Seller provide their written consent thereto, such consent not to be unreasonably withheld or delayed.

### 13.7 Adjustments Among Purchasers

- (a) Each Purchaser agrees that it will at any time or from time to time, including after the exercise of any rights pursuant to Section 12.2, as required by any other Purchaser,

purchase portions of the amounts due and owing to the other Purchasers and make any other adjustments which may be necessary or appropriate so that the amounts due and owing to each Purchaser, as adjusted under this Section, will, as nearly as possible, reflect each Purchaser's Share determined as at the date of the exercise of any such rights.

- (b) For greater certainty, the Purchasers acknowledge and agree that, without limiting the generality of the provisions of Section 13.7(a), those provisions will have application if and whenever any Purchaser shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, realization upon any Security or otherwise) on account of any money owing or payable by the Seller to it in excess of the amounts to which it would otherwise be entitled under Section 13.7(a).
- (c) The Seller agrees to be bound by and to do all things necessary or appropriate to give effect to any and all purchases and other adjustments made by and between the Purchasers under this Section 13.7.

#### **ARTICLE 14 ADDITIONAL PAYMENT TERMS**

##### **14.1 Payments**

All payments of funds due by one Party to another under this Agreement shall be made in U.S. Dollars and shall be made by wire transfer in immediately available funds to the bank account or accounts designated by the receiving Party in writing from time to time.

##### **14.2 Taxes**

- (a) All deliveries of Refined Gold and Refined Silver and all payments and transfers of property of any kind under this Agreement or any other Stream Document by any Lydian Group Member shall be made without any deduction, withholding, charge, levy or imposition for or on account of any Taxes, except as required by Applicable Laws. Subject to Section 14.2(c), all Taxes, if any, as are required by Applicable Laws to be deducted, withheld, charged, levied, collected or imposed on any Person on or with respect to any such delivery, payment or transfer made by any Lydian Group Member shall be paid by the Seller by delivering or paying to the relevant Purchaser or on its behalf, in addition to such delivery, payment or transfer, such additional delivery, payment or transfer as is necessary to ensure that the net amount received by such Purchaser (net of any such Taxes, including any Taxes required to be deducted, withheld, charged, levied, collected or imposed on any such additional amount) equals the full amount that such Purchaser would have received had no such deduction, withholding, charge, levy, collection or imposition been required.
- (b) If any Purchaser becomes liable for any Tax, other than Excluded Taxes (as defined below), imposed on any payments or deliveries under this Agreement, the Seller shall indemnify such Purchaser for such Tax, and the indemnity payment shall be increased as necessary so that, after the imposition of any Tax on the indemnity payment (including Tax in respect of any such increase in the

indemnity payment), such Purchaser shall receive the full amount of Taxes for which it is liable and are due and payable. A certificate as to the amount of such payment or liability delivered to the Seller by such Purchaser shall be conclusive absent manifest error.

- (c) Notwithstanding Sections 14.2(a) and 14.2(b), the Seller shall not be responsible for any Excluded Taxes (as defined below) imposed or collected by any jurisdiction in respect of deliveries of Refined Gold and Refined Silver or payments and transfers of property of any kind made by a Lydian Group Member pursuant to this Agreement, the Guarantee or any Security Documents. For these purposes "Excluded Taxes" means with respect to such Purchaser (or any assignee of such Purchaser pursuant to Section 17.11, but with respect only to the interest of such assignee), (i) Taxes imposed on or measured by its net income or capital, and franchise Taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such Purchaser is organized or in which its principal office is located or with which such Purchaser has or had a connection otherwise than by reason of purchasing Refined Gold or Refined Silver under this Agreement or performing its obligations under any Stream Document, (ii) any branch profits Taxes or any similar Tax imposed by any jurisdiction in which such Purchaser (or any assignee of such Purchaser pursuant to Section 17.11, but with respect only to the interest of such assignee) is located, or (iii) any U.S. federal withholding Taxes imposed under FATCA.
- (d) The Parties agree to reasonably cooperate to: (i) ensure that no more Taxes, duties or other charges are payable than is required under Applicable Law; and (ii) obtain a refund or credit of any Taxes which have been overpaid.
- (e) Following the execution and delivery of this Agreement, each of the Parties will co-operate reasonably with the other Party in implementing any proposed adjustments to the structure or terms of this Agreement to facilitate tax planning, provided that such adjustments have no material adverse impact on the non-proposing Party and that the costs of such adjustments shall be paid for by the proposing Party.

#### 14.3 Overdue Payments

Any payment or delivery not made by a Party on or by any applicable payment or delivery date referred to in this Agreement shall incur interest from the due date until such payment or delivery is paid or made in full at a per annum rate equal to 10% from and after the due date, calculated, compounded and paid monthly in arrears.

#### 14.4 Set-Off

Any dollar amount or Refined Gold or Refined Silver owing by a Party to any other Party under this Agreement may be set off against any dollar amount or Refined Gold or Refined Silver owed to such Party by the other Party. Subject to Section 2.7, any amount of Refined Gold or Refined



Silver set off and withheld against any non-payment by a Party shall be valued at the Gold Market Price or Silver Market Price, as applicable, as of the first trading day that such amount of Refined Gold or Refined Silver became payable to such Party and shall result in a reduction in an amount of Refined Gold or Refined Silver otherwise to be delivered by that number of ounces equal to the dollar amount set off divided by the Gold Market Price or Silver Market Price, as applicable, as of the day such dollar amount first became payable.

## **ARTICLE 15 INDEMNITIES**

### **15.1 Indemnity of Lydian and the Seller**

Lydian and the Seller jointly and severally agree to indemnify and save each of the other Parties, their Affiliates and their directors, officers, employees and agents harmless from and against any and all Losses suffered or incurred by any of them as a result of, in respect of, or arising as a consequence of:

- (a) any breach or inaccuracy of any representation or warranty of the Lydian Group Members contained in this Agreement or the other Stream Documents, including the representations and warranties set forth in Schedule Q hereto, or in any document, instrument or agreement delivered pursuant hereto or thereto;
- (b) any breach, including breach due to non-performance, by the Lydian Group Members of any covenant or agreement to be performed by any of the Lydian Group Members contained in this Agreement or the other Stream Documents or in any document, instrument or agreement delivered pursuant hereto or thereto;
- (c) the development or operation of the Project;
- (d) the failure of any of the Lydian Group Members to comply with any Applicable Law, including any Applicable Law relating to environmental matters and reclamation obligations, the Environmental and Social Requirements, the HSEC Policy or the Anti-Corruption Policy; or
- (e) the physical environmental condition of the Project and matters of health and safety related to the Project or any action or claim brought with respect thereto (including conditions arising prior to the date of this Agreement),

provided that the foregoing shall not apply to any Losses to the extent they arise primarily from the gross negligence or willful misconduct of any such indemnified Person.

### **15.2 Indemnity of Purchasers**

Each Purchaser agrees to indemnify and save each of the other Parties and their Affiliates and their directors, officers, employees and agents harmless from and against any and all Losses suffered or incurred by any of them as a result of, in respect of, or arising as a consequence of:

- (a) any breach or inaccuracy of any representation or warranty of such Purchaser contained in this Agreement or the other Stream Documents, including the representations and warranties set forth in Schedule R hereto, or in any document, instrument or agreement delivered pursuant hereto or thereto; or
- (b) any breach, including breach due to non-performance, by such Purchaser of any covenant or agreement to be performed by such Purchaser contained in this Agreement or the other Stream Documents or in any document, instrument or agreement delivered pursuant hereto or thereto,

provided that the foregoing shall not apply to any Losses to the extent they arise primarily from the gross negligence or willful misconduct of any such indemnified Person.

### 15.3 Non-Party Indemnified Persons

Each of the Parties shall act as the trustee to its related indemnified Persons under this Article 15 to the extent indemnified under this Agreement and accepts this trust and will hold and enforce the covenants herein on behalf of such related indemnified Persons.

## ARTICLE 16 THIRD DEPOSIT DATE AMENDMENTS

### 16.1 Amendments

On the Third Deposit Date, this Agreement will be deemed to have been amended as follows:

- (a) The definitions of "Aggregate Gold Quantity", "Aggregate Silver Quantity", and "Reduction Date" in Section 1.1 (*Definitions*) are hereby deleted in their entirety.
- (b) The definition of "Designated Gold Percentage" in Section 1.1 (*Definitions*) is hereby deleted in its entirety and replaced with the following:

**"Designated Gold Percentage"** means, in respect of each Outturn, (i) until such time as an aggregate of 165,000 ounces of Refined Gold have been delivered to the Purchasers, 6.75% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery, (ii) thereafter, until such time as an additional 35,000 ounces of Refined Gold have been delivered to the Purchasers, 2.70% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery, and (iii) thereafter, 2.3625% of the number of ounces of Refined Gold produced from Minerals and credited to the Seller by the Refinery.

- (c) The definition of "Designated Silver Percentage" in Section 1.1 (*Definitions*) is hereby deleted in its entirety and replaced with the following:

**"Designated Silver Percentage"** means, in respect of each Outturn, (i) until such time as an aggregate of 805,000 ounces of Refined Silver have been delivered to the Purchasers, 100% of the number of ounces of Refined Silver produced from

Minerals and credited to the Seller by the Refinery, (ii) thereafter, until such time as an additional 190,000 ounces of Refined Silver have been delivered to the Purchasers, 40% of the number of ounces of Refined Silver produced from Minerals and credited to the Seller by the Refinery, and (iii) thereafter, 35% of the number of ounces of Refined Silver produced from Minerals and credited to the Seller by the Refinery.

- (d) The following definition is hereby added to Section 1.1 (*Definitions*) after the definition of "Initial Armenian Security Documents":

"**Initial Term**" has the meaning set out in Section 4.1(a).

- (e) Subsection (i) of the definition of "Refinancing Facility" in Section 1.1 (*Definitions*) is hereby deleted in its entirety and replaced with the following:

"(i) the principal amount of such Debt available under such Refinancing Facility does not exceed the principal amount of the Debt so replaced, refinanced, defeased or discharged (plus the amount of all fees, and expenses and premiums incurred in connection therewith)"

- (f) Section 2.1(a)(i) is hereby deleted in its entirety and replaced with the following:

"(i) an amount of Refined Gold equal to the Purchaser's Share of the Designated Gold Percentage, free and clear of all Encumbrances; and"

- (g) Section 2.1(a)(ii) is hereby deleted in its entirety and replaced with the following:

"(ii) an amount of Refined Silver equal to the Purchaser's Share of the Designated Silver Percentage, free and clear of all Encumbrances."

- (h) Section 2.8 (*Reduction Election*) is hereby deleted in its entirety.

- (i) Section 4.1(a) is hereby deleted in its entirety and replaced with the following:

"(a) The term of this Agreement commenced on the Execution Date and, subject to Section 4.1(c), shall continue until the date that is 40 years after the Execution Date (the "**Initial Term**") and thereafter shall automatically be extended for successive ten (10) year periods (together with the Initial Term, the "**Term**")."

- (j) Section 4.1(b) is hereby amended by deleting the term "Term" referenced therein and replacing it with "Initial Term".

- (k) Section 11.2(a)(ii)(2) is hereby amended by deleting the amount of "\$110,000,000" referenced therein and replacing it with "\$121,000,000".

**ARTICLE 17**  
**GENERAL**

**17.1 Disputes and Arbitration**

(a) Subject to Sections 17.1(b) and 17.1(c):

- (i) Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity thereof which has not been resolved by the Parties within the time frames specified herein (or where no time frames are specified, within 15 days of the delivery of written notice by either Party of such dispute, controversy or claim) shall be referred to the chief executive officer, general counsel or other individual of similar seniority and authority of each applicable Party for prompt resolution.
- (ii) Any such dispute, controversy or claim which cannot be resolved by such individuals within 15 days after it has been so referred to them hereunder, including the determination of the scope or applicability of this Agreement to arbitrate, shall be settled by binding arbitration administered by the International Center for Dispute Resolution, and any Party may so refer such dispute, controversy or claim to binding arbitration. Such referral to binding arbitration shall be to one qualified arbitrator in accordance with the Arbitration Rules, which Arbitration Rules shall govern such arbitration proceeding. The place of arbitration shall be New York, New York, and the language of arbitration shall be English. The determination of such arbitrator shall be final and binding upon the Parties and the costs of such arbitration shall be as determined by the arbitrator. Judgment on the award may be entered in any court having jurisdiction. The Parties covenant and agree that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration.
- (iii) The arbitration, including any settlement discussions between the parties related to the subject matter of the arbitration shall be conducted on a private and confidential basis and any and all information exchanged and disclosed during the course of the arbitration shall be used only for the purposes of the arbitration and any appeal therefrom. Neither party shall communicate any information obtained or disclosed during the course of the arbitration to any third party except to those experts or consultants employed or retained by, or consulted about retention on behalf of, such party in connection with the arbitration and solely to the extent necessary for assisting in the arbitration, and only after such persons have agreed to be bound by these confidentiality conditions. In the event that disclosure of any information related to the arbitration is required to comply with Applicable Law or court order, the disclosing party shall promptly notify the other party of such disclosure, shall limit such disclosure limited to

only that information so required to be disclosed and shall have availed itself of the full benefits of any laws, rules, regulations or contractual rights as to disclosure on a confidential basis to which it may be entitled.

- (iv) The award of the arbitrator and any reasons for the decision of the arbitrator shall also be kept confidential except (i) as may reasonably be necessary to obtain enforcement thereof; (ii) for either party to comply with its disclosure obligations under Applicable Law; (iii) to permit the parties to exercise properly their rights under the Arbitration Rules; and (iv) to the extent that disclosure is required to allow the parties to consult with their professional advisors.
- (b) Any dispute, controversy or claim arising out of or relating to: (i) the enforcement of any remedies by the Purchasers under Article 11; or (ii) the Security Documents or any intercreditor agreement entered into by the Collateral Agent on behalf of the Purchasers, including the Credit Facility Intercreditor Agreement, Equipment Financing Intercreditor Agreements and Newmont Subordination Agreement, may, solely at the option of the Purchasers' Agent (at the direction of the Majority Purchasers), be settled by binding arbitration in accordance with Section 17.1(a). Unless the Purchasers' Agent shall have directed that any such dispute, controversy or claim be settled by arbitration, Section 17.1(a) shall not apply to any such dispute, controversy or claim. For greater certainty, no Lydian Group Member shall have any ability to direct that any such dispute, controversy or claim be settled by arbitration.
- (c) Section 17.1(a) shall not preclude the Parties from seeking provisional remedies in aid of arbitration from a court of competent jurisdiction.

## **17.2 Further Assurances**

Each Party shall execute all such further instruments and documents and do all such further actions as may be necessary to effectuate the documents and transactions contemplated in this Agreement, in each case at the cost and expense of the Party requesting such further instrument, document or action, unless expressly indicated otherwise.

## **17.3 No Joint Venture**

Nothing herein shall be construed to create, expressly or by implication, a joint venture, mining partnership, commercial partnership, agency relationship, fiduciary relationship, or other partnership relationship between the Purchasers and any Lydian Group Member.

## **17.4 Governing Law**

This Agreement shall be governed by and construed under the laws of the Province of Ontario and the federal laws of Canada applicable therein (without regard to its laws relating to any conflicts of laws), and each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario. The United Nations Vienna Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

## 17.5 Notices

Unless otherwise specifically provided in this Agreement, any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered by hand to an officer or other responsible employee of the addressee or transmitted by facsimile transmission or sent by electronic mail in PDF format, addressed to:

(i) If to Lydian or the Seller to:

Lydian International Limited  
Suite 3  
5/6 Esplanade  
St. Helier, Jersey JE2 3QA  
Channel Islands

Attention: Douglas Tobler, Chief Financial Officer  
Facsimile No.: (303) 374-2623  
E-mail: douglas.tobler@lydianinternational.co.uk

(ii) If to Purchasers' Agent

Osisko Bermuda Limited  
Cumberland House, 1 Victoria Street  
Hamilton HM 11  
Bermuda

Attention: Michael Spencer, Managing Director  
Facsimile No.: +1 441 292 6140  
E-mail: mspencer@osiskogr.com

with a copy to:

Osisko Bermuda Limited  
c/o Compass Administration Services Ltd.  
Crawford House, 50 Cedar Avenue, Hamilton  
HM 11, Bermuda

Attention: Michael Spencer, Managing Director  
Facsimile No.: +1 441 295 6566  
E-mail: bermudaoperations@osiskogr.com

(iii) If to the Purchasers, in accordance with the details specified in Schedule C, as amended from time to time in accordance with this Agreement.

Any notice or other communication given in accordance with this section, if delivered by hand as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery

if such date is a Business Day and such delivery is received before 4:00 pm at of the place of delivery; otherwise, it shall be deemed to be validly and effectively given on the Business Day next following the date of delivery. Any notice of communication which is transmitted by facsimile transmission or electronic mail as aforesaid, shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was received before 4:00 pm at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

#### **17.6 Press Releases**

The Parties shall jointly plan and co-ordinate, and shall cause their respective Affiliates to jointly plan and coordinate, any public notices, press releases, and any other publicity concerning the entering into of this Agreement and none of the Parties or its Affiliates shall act in this regard without reasonable prior consultation with the other Parties, unless such disclosure is required to meet timely disclosure obligations of such Parties or their Affiliates under Applicable Laws in circumstances where prior consultation with the other Parties is not practicable, and a copy of such disclosure shall be provided to the other Parties at such time as it is made publicly available.

#### **17.7 Amendments**

This Agreement may not be changed, amended or modified in any manner, except pursuant to an instrument in writing signed on behalf of each of the Parties.

#### **17.8 Beneficiaries**

Except as otherwise provided herein, this Agreement is for the sole benefit of the Parties and their successors and permitted assigns and nothing herein is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature or kind whatsoever under or by reason of this Agreement.

#### **17.9 Entire Agreement; Amendment and Restatement**

- (a) This Agreement and the other Key Transaction Documents together constitute the entire agreement between the Parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, opinions, advice, assertions of fact, matters, undertakings or collateral agreements, express, implied or statutory, with respect to the subject matter hereof and thereof by or between the Parties (or by any of their respective employees, directors, officers, representatives or agents) other than as expressly set forth in this Agreement or the other Key Transaction Documents.
- (b) The Original Purchase and Sale Agreement shall be and is hereby amended and restated in the form of this Agreement.
- (c) Notwithstanding the foregoing or any other term hereof, all of the covenants, representations and warranties on the part of the Lydian Group Members, as

applicable, under the Original Purchase and Sale Agreement and all of the claims and causes of action arising against the Lydian Group Members, as applicable, in respect of all matters, events, circumstances and obligations arising or existing prior to the date of this Agreement shall continue, survive and shall not be merged in the execution of this Agreement or any other Stream Documents and such covenants, representations and warranties under the Original Purchase and Sale Agreement shall be deemed for all purposes to be the representations, warranties and covenants of the Lydian Group Members, as applicable, hereunder with respect to any time prior to the date of this Agreement and any such claims or causes of action prior to the date of this Agreement shall be deemed for all purposes to be claims and causes of action against the Lydian Group Members, as applicable, hereunder.

- (d) Each of the Security Documents and all covenants, terms and provisions thereof, except as expressly amended and supplemented by this Agreement, shall be and continue to be in full force and effect and each such Security Document is hereby ratified and confirmed and shall from and after the date hereof continue in full force and effect.
- (e) The Parties acknowledge and agree that (i) this Agreement and the other agreements, documents and instruments executed and delivered in connection herewith do not constitute a novation or termination of the obligations and liabilities of the Lydian Group Members, as applicable, under the Original Purchase and Sale Agreement as in effect prior to the date hereof, and (ii) such obligations and liabilities are in all respects continuing (as amended and restated hereby) with only the terms thereof being modified as provided in this Agreement.
- (f) Any references herein to the "date hereof", the "date of this Agreement" or similar expressions shall be and shall be deemed to be references to the date of this Agreement as first written above.

#### 17.10 Waivers

Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

#### 17.11 Assignment

- (a) This Agreement and the other Stream Documents shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and permitted assigns.



- (b) Until such time as the Deposit has been fully funded or otherwise terminated or expired, no Purchaser shall assign, in whole or in part, any of its rights, obligations or interest under this Agreement or the other Stream Documents without the prior written consent of each of the Seller and the Purchasers' Agent, such consent not to be unreasonably withheld. For greater certainty, it will not be unreasonable for the Seller to withhold its consent to an assignment by a Purchaser in the circumstance described in Section 17.11(c).
- (c) After the Deposit has been fully funded or otherwise terminated or expired, any Purchaser may assign, in whole or in part, any of its rights, obligations or interest under this Agreement and the other Stream Documents without the consent of any other Party. Notwithstanding the foregoing, without the prior written consent of the Seller, no Purchaser shall assign, in whole or in part, any of its rights, obligations or interest under this Agreement or the other Stream Documents to a Person (other than another Purchaser) whose primary business is the development and operation of mineral projects and who is a competitor of the Seller in the acquisition, development and operation of precious metals projects in Armenia, as determined by the Seller, acting reasonably (and which, for greater certainty, shall not include any Person whose primary business is the acquisition and ownership of Production Interests or any Person which is a financial institution, sovereign wealth fund, hedge fund, private equity fund or other institutional investor or any investment vehicle or account controlled or managed by any of the foregoing).
- (d) Notwithstanding any other provision of this Agreement, but subject to Section 17.11(h), if a Seller Event of Default has occurred and is continuing, any Purchaser may assign, in whole or in part, any of its rights, obligations or interest under this Agreement and the other Stream Documents without the consent of the Seller or Lydian.
- (e) Notwithstanding any other provision of this Agreement, any Purchaser may assign, in whole or in part, any of its rights, obligations or interest under this Agreement and the other Stream Documents to the IFC or any of its Affiliates, or to an existing Purchaser, without the consent of the Seller or Lydian.
- (f) To the extent that any assignment pursuant to Section 17.11(b) or 17.11(c) would, at the time of such assignment, result in an increase in the amount of Taxes required to be withheld by a Lydian Group Member pursuant to Section 14.2(a) or the cost of the Seller's indemnity for Taxes pursuant to Section 14.2(b) from those attributable to the assigning Purchaser, then the Seller shall not be obligated to withhold such increased amount of Taxes or pay such increased indemnity costs (although the Seller shall be obligated to withhold any other increased amount of Taxes or pay any other increased indemnity costs resulting from changes after the applicable assignment).
- (g) Except as otherwise provided herein, but subject to Section 17.11(h), neither Lydian nor the Seller shall assign, in whole or in part, any of its rights, obligations or interest under this Agreement or the other Stream Documents, without the prior

written consent of the Purchasers' Agent (at the direction of the Majority Purchasers).

- (h) Notwithstanding any other provision of this Agreement, no Party shall assign, in whole or in part, any of its rights, obligations or interest under this Agreement or the other Stream Documents to any Sanctioned Person or Sanctioned Entity.
- (i) Subject to the Seller providing any consent required pursuant to the terms of this Agreement, an assignment by a Purchaser shall become effective when the Seller, Lydian, the other Purchasers and the Collateral Agent have received from the assignee (i) an agreement (addressed to all the parties to this Agreement) to be bound by this Agreement and to perform the obligations assigned to it, in substantially the form of Schedule L, and (ii) any documents required by local counsel and requested by the Purchasers' Agent to ensure the assignee receives the benefit of the Security (including in the case of Security Documents governed by the laws of Armenia, an agreement from the assignee to become a party thereto). Any assignee shall be treated as a Purchaser for all purposes of this Agreement, shall be entitled to the full benefit hereof and shall be subject to the obligations of the assigning Purchaser to the same extent as if it were an original party in respect of the rights or obligations assigned to it, and the assigning Purchaser shall be released and discharged from its obligations hereunder (but not from any claims or damages arising from a breach of this Agreement prior to such date or resulting from such assigning Purchaser's gross negligence or wilful misconduct) from the date of assignment, accordingly and to the same extent.
- (j) Notwithstanding any other provision of this Agreement, each Purchaser shall have the right to grant a security interest, hypothecate or pledge, in whole or in part, its interest under this Agreement to one or more lenders providing financing to the Purchaser without notice to, or the consent of, any other Party. If any such lender enforces such security interest, hypothec or pledge, it will provide notice of such enforcement to the Seller, Lydian, the Collateral Agent and the other Purchasers, and, upon delivery of such notice (which notice shall confirm that such lender agrees to be bound by the terms and conditions of this Agreement and the other Key Transaction Documents to the extent of such interest), such lender shall be entitled to the interest of such Purchaser under this Agreement and the other Key Transaction Documents.

#### 17.12 Severability

If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect and the Parties shall negotiate in good faith to replace any provision that is invalid, illegal or unenforceable with such other valid provision that most closely replicates the economic effect and rights and benefits of such impugned provision.

### **17.13 Costs and Expenses**

Except as otherwise provided for in this Agreement and subject to the following provisions of this Section 17.13, all costs and expenses incurred by a Party shall be for its own account. The Seller shall pay to the Purchasers on demand all reasonable and documented costs and expenses of the Purchasers (including all fees, expenses and disbursements of legal counsel) in connection with: (a) its due diligence investigations in connection with the transactions contemplated by this Agreement; (b) the preparation, negotiation, and completion of, this Agreement and the other Stream Documents and all instruments supplemental or ancillary thereto; (c) any actual or proposed amendment or modification thereof or any waiver under the Stream Documents, and all instruments supplemental or ancillary thereto, made at the request of a Lydian Group Member; and (d) the registration, maintenance and/or discharge of any of the Security in any public record office. The Seller shall pay all costs and expenses of the Independent Engineer in connection with the performance of its duties under this Agreement or other Stream Documents. The Purchasers shall be entitled to set-off any amounts owing by the Seller pursuant to this Section 17.13 from the amount of any Deposit or any cash portion of the Gold Purchase Price or Silver Purchase Price to be paid to the Seller pursuant to this Agreement.

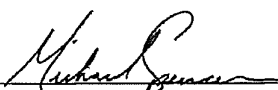
### **17.14 Counterparts**

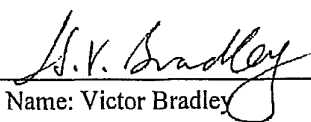
This Agreement may be executed in one or more counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopy or electronic scan shall be effective as delivery of a manually executed counterpart of this Agreement.

**[REMAINDER OF PAGE INTENTIONALLY BLANK]**

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first written above.

**OSISKO BERMUDA LIMITED, in its capacity  
as a Purchaser**

Per:   
Name: Michael Spencer  
Title: Managing Director

Per:   
Name: Victor Bradley  
Title: Chairman

*(Signature page to Amended & Restated Stream Agreement)*

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first written above.

**OSISKO BERMUDA LIMITED, in its  
capacity as a Purchaser**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**RESOURCE CAPITAL FUND VI L.P.**

By: Resource Capital Associates VI L.P.,  
General Partner

By RCA VI GP Ltd., General Partner

Per: Catherine J. Boggs  
Name: Catherine J. Boggs  
Title: General Counsel

Per: \_\_\_\_\_  
Name:  
Title:

**LYDIAN INTERNATIONAL LIMITED**

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**LYDIAN ARMENIA CJSC**

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

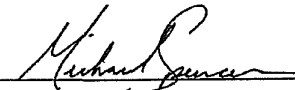
Per: \_\_\_\_\_

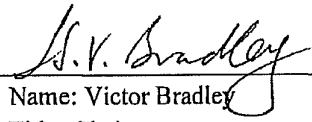
Name: \_\_\_\_\_

Title: \_\_\_\_\_

*(Signature page to Amended & Restated Stream Agreement)*

**OSISKO BERMUDA LIMITED, in its capacity  
as Purchasers' Agent**

Per:   
Name: Michael Spencer  
Title: Managing Director

Per:   
Name: Victor Bradley  
Title: Chairman

*(Signature page to Amended & Restated Stream Agreement)*

## **SCHEDULE A**

### **Form of Annual Compliance Certificate**

#### **ANNUAL REPORTING COMPLIANCE CERTIFICATE**

**TO: OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT**

**RE: AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT DATED JANUARY 15, 2019 BETWEEN LYDIAN ARMENIA CJSC, AS SELLER, LYDIAN INTERNATIONAL LIMITED, AS GUARANTOR, EACH OF THE PURCHASERS FROM TIME TO TIME PARTY THERETO, AND OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT (AS AMENDED, RESTATED AND REPLACED FROM TIME TO TIME, THE 'PURCHASE AGREEMENT')**

This certificate is given by the Seller pursuant to Section 5.2(b) of the Purchase Agreement. Capitalized terms not otherwise defined herein have the meanings given thereto in the Purchase Agreement.

The officers executing this certificate are a senior officer of the Seller and a senior officer of Lydian, and as such are duly authorized to execute and deliver this certificate on behalf of the Seller and Lydian. By executing this certificate each such officer hereby certifies, as an officer of the Seller or Lydian, as applicable, and not in a personal capacity, to the Purchasers that, as of the date hereof:

1. each Lydian Group Member has complied in all material respects with its covenants and obligations under the Purchase Agreement and the other Stream Documents to which it is a party, and no Material Adverse Effect, Seller Event of Default or event which with notice or lapse of time or both would become a Seller Event of Default has occurred and is continuing[, **except as specified in writing and attached hereto**];
2. the HSEC Policy complies with all Environmental and Social Requirements, and the Seller is in compliance with the Environmental and Social Requirements, the HSEC Policy and any Corrective Action Plan in all material respects[, **except as specified in writing and attached hereto**]; and
3. the Seller is in compliance with the Anti-Corruption Policy in all material respects[, **except as specified in writing and attached hereto**].

DATED as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**LYDIAN ARMENIA CJSC**

Per: \_\_\_\_\_  
Name:  
Title:

**LYDIAN INTERNATIONAL LIMITED**

Per: \_\_\_\_\_  
Name:  
Title:

Error! Unknown document property name.



## **SCHEDULE B**

### **Form of Commercial Production Date Certificate**

#### **CERTIFICATE OF INDEPENDENT ENGINEER**

**TO: OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT**

**RE: AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT DATED JANUARY 15, 2019 BETWEEN LYDIAN ARMENIA CJSC, AS SELLER, LYDIAN INTERNATIONAL LIMITED, AS GUARANTOR, EACH OF THE PURCHASERS FROM TIME TO TIME PARTY THERETO, AND OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT (AS AMENDED, RESTATED AND REPLACED FROM TIME TO TIME, THE "PURCHASE AGREEMENT")**

Capitalized terms not otherwise defined herein have the meanings given thereto in the Purchase Agreement. The undersigned, as Independent Engineer, confirms that:

1. We have read the provisions of the Purchase Agreement which identify the responsibilities of the Independent Engineer related to providing this certificate as required by the Purchase Agreement.
2. We have performed such inspections, observations, analyses and other procedures that we have, in our reasonable judgment, deemed necessary for purposes of this certificate. Such procedures, and the names of our employees or agents who performed them, are described in Exhibit 1 to this certificate. The certifications made in the paragraphs below are made by us based on such procedures.
3. For purposes of this certificate, commercial production is achieved when all of the following criteria are met for a single period of 30 consecutive days: (a) the ore heap at the heap leach facility has been stacked at an average rate of 60% of the nameplate capacity described in the Mine Plan, (b) the ore heap at the heap leach facility has been irrigated at an average rate of 60% of the nameplate capacity described in the Mine Plan, and (c) the Process Plant has produced gold-silver doré at an average rate of 60% of the planned production described in the Mine Plan.
4. Commercial production was achieved on \_\_\_\_\_, 20\_\_\_\_, and, in my reasonable judgment, the levels of production and operation of the Project achieved prior to such date are sustainable in accordance with the requirements of the Mine Plan.
5. The Project is operating in all material respects in accordance with the Mine Plan.

The undersigned acknowledges that pursuant to the Purchase Agreement, the Purchasers will all be relying on this certificate.

DATED as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**[INDEPENDENT ENGINEER]**

Per: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## SCHEDULE C

### Purchasers

Name of Purchaser	Notice Information	First Deposit Commitment	Second Deposit Commitment
Osisko Bermuda Limited	<p>Osisko Bermuda Limited Cumberland House, 1 Victoria Street Hamilton HM 11 Bermuda</p> <p>Attention: Michael Spencer, Managing Director Facsimile No.: +1 441 292 6140 E-mail: mspencer@osiskogr.com</p> <p>with a copy to:</p> <p>Osisko Bermuda Limited c/o Compass Administration Services Ltd. Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda</p> <p>Attention: Michael Spencer, Managing Director Facsimile No.: +1 441 295 6566 E-mail: bermudaoperations@osiskogr.com</p>	\$15,625,000	\$21,875,000
Resource Capital Fund VI L.P.	<p>1400 Sixteenth St., Suite 200 Denver, CO 80202</p> <p>Attention: Catherine J. Boggs, General Counsel</p> <p>Facsimile No.: 720-946-1450 E-mail: cboggs@rcflp.com</p> <p>with a copy to (which shall not constitute notice):</p> <p>Blake, Cassels &amp; Graydon LLP 595 Burrard Street, P.O. Box 49314, Suite 2600 Three Bentall Centre Vancouver, BC, Canada V7X 1L3</p> <p>Attention: Bob Wooder</p> <p>Facsimile No.: 604-631-3309 E-mail: bob.wooder@blakes.com</p>	\$9,375,000	\$13,125,000

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## **SCHEDULE D**

### **Form of Completion Date Certificate**

#### **CERTIFICATE OF INDEPENDENT ENGINEER**

**TO: OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT**

**RE: AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT DATED JANUARY 15, 2019 BETWEEN LYDIAN ARMENIA CJSC, AS SELLER, LYDIAN INTERNATIONAL LIMITED, AS GUARANTOR, EACH OF THE PURCHASERS FROM TIME TO TIME PARTY THERETO, AND OSISKO BERMUDA LIMITED, AS PURCHASERS' AGENT (AS AMENDED, RESTATED AND REPLACED FROM TIME TO TIME, THE "PURCHASE AGREEMENT")**

Capitalized terms not otherwise defined herein have the meanings given thereto in the Purchase Agreement. The undersigned, as Independent Engineer, certifies that:

1. We have read the provisions of the Purchase Agreement which identify the responsibilities of the Independent Engineer related to providing this certificate as required by the Purchase Agreement.
2. We have performed such inspections, observations, analyses and other procedures that we have, in our reasonable judgment, deemed necessary for purposes of this certificate. Such procedures, and the names of our employees or agents who performed them, are described in Exhibit 1 to this certificate. The certifications made in the paragraphs below are made by us based on such procedures.
3. On or before the date hereof, physical facilities and equipment of the Project substantially the same as, or functionally equivalent to, those listed in Exhibit 2 to this certificate have been installed and are operational.
4. For purposes of this certificate, completion is achieved when all of the following criteria are met for a single period of 60 consecutive days: (a) the ore heap at the heap leach facility has been stacked at an average rate of 85% of the nameplate capacity described in the Mine Plan, (b) the ore heap at the heap leach facility has been irrigated at an average rate of 85% of the nameplate capacity described in the Mine Plan, and (c) the Process Plant has produced gold-silver doré at an average rate of 85% of the planned production described in the Mine Plan.
5. Completion was achieved on \_\_\_\_\_, 20\_\_\_\_, and, in my reasonable judgment, the levels of production and operation of the Project achieved prior to such date are sustainable in accordance with the requirements of the Mine Plan.
6. The Project is operating in all material respects in accordance with the Mine Plan.

The undersigned acknowledges that pursuant to the Purchase Agreement, the Purchasers will all be relying on this certificate.

DATED as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**[INDEPENDENT ENGINEER]**

Per: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE E**

**Construction Budget**

**See attached.**

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**SCHEDULE F**

**Intercreditor Principles**

**See attached.**

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### **Intercreditor Agreement Principles (Equipment Financing)**

This outline sets out core principles that will govern the intercreditor agreement (the “**Intercreditor Agreement**”) between (1) Orion Co IV (ED) Limited (together with the Purchasers and the Lenders, the “**Senior Creditor**”), as collateral agent for and on behalf of the streaming purchasers (the “**Purchasers**”) and the credit agreement lenders (the “**Lenders**”) and (2) one or more equipment financiers (the “**Equipment Financier**”), as a secured creditor under equipment financing arrangements with certain of the Lydian Entities (as defined below). This outline is not intended to be exhaustive in nature, with the form and substance of the Intercreditor Agreement to be otherwise in form and substance satisfactory to the Senior Creditor and the Equipment Financier. In this outline, the streaming agreement between, among others, the Purchasers and Geoteam CJSC (“**Geoteam**”) is referred to as the “**Orion Stream Agreement**”, the loan agreement between, among others, Geoteam, as borrower, Orion Co IV (ED) Limited, as administrative agent, and the Lenders is referred to as the “**Loan Agreement**” (together with the Orion Stream Agreement, the “**Senior Transaction Agreements**”), the equipment financing agreement between, among others, the Equipment Financier, Geoteam, as lessee or purchaser, and Lydian International Limited (“**Lydian**”) is referred to as the “**Equipment Finance Agreement**”, and Lydian and its direct or indirect subsidiaries are collectively referred to as the “**Lydian Entities**”.

1. **Security.** Geoteam will grant security over certain equipment to be financed by the Equipment Financier (the “**Equipment**”) in support of its payment obligations under the Equipment Finance Agreement (the “**Equipment Finance Obligations**”). The Equipment Finance Obligations may also be guaranteed by Lydian (but no other Lydian Entity) on an unsecured basis. Geoteam and other Lydian Entities will grant security over all of their respective assets (the “**Senior Creditor Security**”), including the Equipment, for the obligations owing to the Purchasers and the Lenders pursuant to the Senior Transaction Agreements (the “**Senior Secured Obligations**”).
2. **Consent.** The Senior Creditor and the Equipment Financier acknowledge and consent to the granting by Geoteam in favour of the other of the respective security interests and confirm that the respective security is not prohibited by their respective transaction agreements. The Senior Creditor and the Equipment Financier also agree not to contest the security in favour of the other.
3. **Ranking.** The Equipment Financier shall have a first ranking and senior lien over the Equipment and the proceeds thereof and any lien in favour of the Senior Creditor in such Equipment and the proceeds thereof will be subordinated. The Senior Creditor shall have a first ranking and senior lien over any other collateral secured by the Senior Creditor Security. The application of proceeds of the security is discussed below in paragraph 5.
4. **Enforcement.** The Equipment Financier may, at its option, provide notice to the Senior Creditor that it wishes to realize, take possession or otherwise exercise rights and remedies in respect of the Equipment (an “**Enforcement Action**”) after an event of default under the Equipment Finance Agreement, but shall only be entitled to do so if it has provided notice to the Senior Creditor of the event of default and the Senior Creditor

has not exercised its right to cure such event of default in accordance with paragraph 6. The Senior Creditor may, at its option, provide notice to the Equipment Financier that it wishes to carry out an Enforcement Action after an event of default under the Senior Transaction Agreements and request a standstill. Upon receipt of such request and for a period of 120 days thereafter (the "Standstill Period"), the Equipment Financier may not commence any Enforcement Action. During the Standstill Period, the Senior Creditor or any representative appointed by it shall have the right to use the Equipment, provided that any amounts due and payable under the Equipment Finance Agreement have been paid and are current.

5. **Priority and Application.** If a sale or disposition of any Equipment occurs after the occurrence and during the continuance of any event of default, then the net proceeds of such sale or disposition shall be applied as follows (irrespective of order of registration or perfection):
  - (a) first, to the Equipment Financier until all of the Equipment Finance Obligations then due and owing to the Equipment Financier shall have been indefeasibly paid in full;
  - (b) second, to the Senior Creditor until all of the Senior Secured Obligations then due and owing to the Senior Creditor shall have been indefeasibly paid in full; and
  - (c) third, to Geoteam or as required by law.
6. **Cure/Purchase Rights.** Following notice by the Equipment Financier to the Senior Creditor of an event of default under the Equipment Finance Agreement, the Senior Creditor shall have the right to cure such event of default within 30 days of notice thereof. During such 30-day period and during the Standstill Period, the Senior Creditor shall have the right to purchase the obligations under the Equipment Finance Agreement at par.
7. **New Liens.** The Equipment Financier shall not acquire or hold any lien over any assets of any Lydian Entity other than the Equipment.
8. **Amendments.** The terms of the Senior Transaction Agreements may be changed or modified without approval of the Equipment Financier and the terms of the Equipment Finance Agreement may be changed or modified without approval of the Senior Creditor, subject in each case to compliance with the terms of the Intercreditor Agreement.
9. **Insurance.** Where proceeds of property insurance are payable on the Equipment, such net proceeds shall be paid to the Equipment Financier until all Equipment Finance Obligations have been irrevocably paid and satisfied in full and thereafter, such net proceeds shall be paid to the Senior Creditor in accordance with, and to the extent required by, the Senior Transaction Agreements. Any other proceeds of insurance shall be paid to the Senior Creditor in accordance with, and to the extent required by, the Senior Transaction Agreements.



- 3 -

10. Governing Law. Canada, United States of America or such other jurisdiction that is acceptable to the Collateral Agent.

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**SCHEDULE G**

**Material Contracts**

**See attached.**

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## **SCHEDULE G**

### **Material Contracts**

1. Land Rentals of Community properties in Saravan, Gorhayk, Gndevaz listed at Section A of Schedule Y.
2. Purchased land from private owners, listed at Section C of Schedule Y.
3. Loan Agreement, dated January 5, 2008, and the Annex thereto, dated December 14, 2009, between Lydian International Limited and Geoteam CJSC.
4. Royalty Agreement, dated April 23, 2010, between Lydian International Limited, Geoteam CJSC and Newmont Overseas Exploration Limited.
5. Share Charge Agreement, dated April 2010, between Lydian International Holdings Limited and Newmont Overseas Exploration Limited.
6. Offtake agreement, dated as of the date hereof, among Geoteam CJSC, Lydian International Limited, Orion Co IV (SO) Limited, Resource Capital Fund VI L.P. and Orion Co IV (SO) Limited, as Purchasers' Agent.
7. Credit agreement, dated as of the date hereof, among Geoteam CJSC, Lydian International Limited, Orion Co IV (ED) Limited, Resource Capital Fund VI L.P. and Orion Co IV (ED) Limited, as Administrative Agent.
8. Loan agreement, dated August 24, 2011; and the Annex thereto, dated October 5, 2015, between Lydian International Limited and Georgian Resource Company LLC.
9. Loan arrangement, which Lydian has confirmed is not governed by a written agreement, between Lydian U.S. Corporation and Lydian International Limited.
10. Subscription agreement, dated March 21, 2014, between the International Finance Corporation and Lydian International Limited.
11. Subscription agreement, dated March 25, 2015, between the International Finance Corporation and Lydian International Limited.
12. Subscription agreement, dated March 21, 2014, between the European Bank for Reconstruction and Development and Lydian International Limited.
13. Nomination rights agreement, dated March 21, 2014, between the International Finance Corporation and Lydian International Limited.
14. The Mining License Agreement № PV-245 "On Mining Permit" on subsurface use for the purpose of mining of minerals, dated September 26, 2012 between Geoteam CJSC and the Ministry of Energy and Natural Resources of the Republic of Armenia, as amended by an amendment to the Mining License Agreement № PV-245, dated November 26, 2014.

15. Consulting agreements, dated October 15, 2011 and February 24, 2012 between Geoteam CJSC and Lydian International Limited.
16. Underwriting agreement among Lydian International Limited, Scotia Capital Inc., as lead underwriter, the other underwriters on a date to be determined in connection with the Equity Financing.
17. Subordination Agreement to be entered into between, among others, Newmont Overseas Exploration Limited, Orion Co IV (ED) Limited, as collateral agent, Lydian International Limited, Geoteam CJSC, Lydian International Holdings Limited and Lydian Resources Armenia Limited.
18. Intercreditor Agreement to be entered into between, among others, Orion Co IV (ED) Limited in its capacity as Administrative Agent under the Credit Agreement, Orion Co IV (SO) Limited in its capacity as Purchasers' Agent under the Stream Agreement, Orion Co IV (ED) Limited in its capacity as Collateral Agent for and on behalf of the Creditors (as defined therein), Geoteam CJSC in its capacity as Seller under the Stream Agreement and Borrower under the Credit Agreement, Lydian International Limited in its capacity as Guarantor, and the other subsidiaries of Lydian International Limited party to the Intercreditor Agreement from time to time.
19. Agreement "On translocation of individual plants of new population of the species listed in the Republic of Armenia Red Book" entered into between Geoteam CJSC and RA Ministry of Nature Protection in August, 2015 and Appendix 1 thereto.
20. The Subscription Agreements, as such term is defined in this Agreement.

**SCHEDULE H**

**Material Project Agreements**

**See attached.**

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## **SCHEDULE H**

### **Material Project Agreements**

Description	In Place
<b>ENGINEERING CONTRACTS</b>	
<b><u>PROCESS FACILITIES - ENGINEERING &amp; SUPPLY PACKAGES</u></b>	
Crushing & Screening Plant	No
Materials Handling Systems (Overland Conveyor, stockpile & truck loadout facilities)	No
ADR Plant	No
HV/MV Electrical Power Supply	No
<b>CONSTRUCTION CONTRACTS</b>	
<b><u>CIVIL WORKS, PROCESS FACILITIES &amp; INFRASTRUCTURE</u></b>	
Mass Earthworks - Heap Leach Facility, including the HLF, ponds PD-1/5/8a, diversion channels, ADR (PL-2), RD-12/4/13, and other miscellaneous earthworks in the area.	No
Mass Earthworks - Mine Haul Roads, including RD-3 (Mine Haul road), channel C-1/4, PL-13, and sediment ponds PD-15.	No
Mass Earthworks - In-Pit Roads and Mine Pre-Strip for Mine Pits Tig/Art - pre-strip and in-pit roads.	No
Mass Earthwork - Material Handling Area, including the crusher PL-12, conveyor PL-4 and PL-3/10, RD-10.	No
Mass Earthworks - Infrastructure. Administration and mine facility area platforms, and site access roads RD-1, RD-2, RD-6, RD-7 & RD-9	No
Mass Earthworks - BRSF, including BRSF-1, PD-7T and gravity pipeline PL-15.	No
<b><u>STRUCTURAL, MECHANICAL &amp; ELECTRICAL ERECTION</u></b>	
Conveyor and Truck Loadout, for installation the primary/secondary and screening facilities; excludes mass earthworks.	No
Crusher, for installation of the primary/secondary and screening facilities; excludes mass earthworks.	No
ADR Plant and HLF, including installation of the ADR plant package and the mechanical/piping for the HLF solutions.	No
HDPE Lining, installation of the geomembrance liner in the HLF facility and other miscellaneous locations: excludes the supply of the liner.	No

**ELECTRICAL SYSTEMS INSTALLATION**

HV Substation, MV Reticulation, LV Reticulation, Transformers & MCC's No

**MAJOR PROCUREMENT CONTRACTS**

HDPE Liner No

**OPERATIONS CONTRACTS**

Fuel Contract No

Reagent Contract No

Refining Agreement No

Explosives No

**CORPORATE AGREEMENTS**

Royalty Agreement, dated April 23, 2010 between Lydian International Limited,  
Geoteam CJSC and Newmont Overseas Exploration Limited Yes

Share Charge Agreement, dated April 2010 between Lydian International Holdings  
Limited and Newmont Overseas Exploration Limited Yes

Loan Agreement, dated January 5, 2008, and the Annex thereto, dated December 14,  
2009, between Lydian International Limited and Geoteam CJSC Yes

Amendment, dated November 11, 2015 to Loan Agreement dated January 5, 2008  
between Lydian International Limited and Geoteam CJSC Yes

Loan Agreement, dated August 24, 2011 between Lydian International Limited and  
Georgian Resource Company LLC Yes

Annex 1, dated October 5, 2015 to the Loan Agreement between Lydian International  
Limited and Georgian Resource Company LLC dated August 24, 2011 Yes

Agreement "On translocation of individual plants of new population of the species  
listed in the Republic of Armenia Red Book" entered into between Geoteam CJSC and  
RA Ministry of Nature Protection in August, 2015 and Appendix 1 thereto Yes

Loan arrangement, which Lydian has confirmed is not governed by a written  
agreement, between Lydian U.S. Corporation and Lydian International Limited Yes

Contract, dated October 15, 2011 between Geoteam CJSC and Lydian International  
Limited on Provision of Consulting Services pertinent to preliminary economic  
assessment and bankable feasibility study Yes

Contract, dated February 24, 2012 between Geoteam CJSC and Lydian International  
Limited on Provision of Consulting Services pertinent to preparation of detail  
engineering and design Yes

The Mining License Agreement № PV-245 "On Mining Permit" on subsurface use for the purpose of mining of minerals, dated September 26, 2012 between Geoteam CJSC and the Ministry of Energy and Natural Resources of the Republic of Armenia, as amended by an amendment to the Mining License Agreement № PV-245, dated November 26, 2014.

Yes

Purchased land from private owners, listed at Section C of Schedule Y

Yes

Land Rentals of Community properties in Sarvan, Gorhayk, Gndevaz listed at Section A of Schedule Y

Yes



**SCHEDULE I**

**Material Project Authorizations**

**See attached.**

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# **SCHEDULE I**

## **Material Project Authorizations**

<b>Name</b>	<b>Date of Issuance</b>	<b>Issuing Authority</b>	<b>Holder</b>	<b>Date of Expiry</b>	<b>Applicable Amendments</b>
<b>Existing Material Project Authorizations</b>					
GKZ Resource Approval - Tigranes deposit	23 February, 2009	MENR <sup>(1)</sup>	Geoteam CJSC	16 September, 2011	Amended by GKZ Resource Approval - Tigranes/Artavazdes deposit immediately below
GKZ Resource Approval - Tigranes/Artavazdes deposit	16 September, 2011	MENR	Geoteam CJSC	N/A	N/A
GKZ Resource Approval- Erato deposit	11 December, 2013	MENR	Geoteam CJSC	N/A	N/A
Exploration Permit (EHTV 29/043)	Renewed on May 22, 2014	MENR	Geoteam CJSC	May 22, 2016	N/A
Mining Permission HA-L/588  (previously Mining License 14/588)	3 April, 2009	MENR	Geoteam CJSC	26 September 2012	Substituted by September 26, 2012 Mining Permission immediately below
	26 September, 2012	MENR	Geoteam CJSC	24 November 2014	Amended by November 24, 2014 Mining Permission immediately below
	24 November, 2014	MENR	Geoteam CJSC	1 January, 2034	N/A
Mining Agreement #458	28 December, 2009	MENR	Geoteam CJSC	26 September 2012	Substituted by September 26, 2012 Mining Agreement immediately below

Name	Date of Issuance	Issuing Authority	Holder	Date of Expiry	Applicable Amendments
Mining Agreement #PV-245	26 September, 2012	MENR	Geoteam CJSC	26 November, 2014	Amended by November 26, 2014 Mining Agreement immediately below
	26 November, 2014	MENR	Geoteam CJSC	1 January, 2034	N/A
Rock Allocation Area (LV-245)	25 November 2014	MENR	Geoteam CJSC	3 April 2034	N/A
Mine Closure Plan <sup>(2)</sup>	25 November, 2014	MENR	Geoteam CJSC	After the actual closure is done	To be resubmitted 2 years before the actual Mine Closure
Technical Safety <sup>(3)</sup>	28 August, 2014	"National Center of Technical Safety" SNCO	Geoteam CJSC	1 January, 2034	N/A
Environmental Impact Assessment	17 October 2014	MNP	Geoteam CJSC	1 January 2034	N/A
Potentilla Perptherantha Red Book Plant Translocation Agreement	7 August 2015	MNP	Geoteam CJSC	Valid until the implementation of the translocation is complete, or the contract is terminated in accordance its terms	N/A
<b>Pending Applications for Material Project Authorizations</b>					
No applications for Material Project Authorizations are pending as of the date hereof	N/A	N/A	N/A	N/A	N/A

Name	Date of Issuance	Issuing Authority	Holder	Date of Expiry	Applicable Amendments
<b>Outstanding Material Project Authorizations</b>					
Water abstraction and discharge license	N/A	MNP	Geoteam CJSC	N/A	N/A
Air emission permit	N/A	MNP	Geoteam CJSC	N/A	N/A
Explosives permit (store, transport, use)	N/A	Government of Armenia	Geoteam CJSC	N/A	N/A
ICMC cyanide supplier compliance	N/A	ICMC	Geoteam CJSC	N/A	N/A
Import, storage and permit to use hazardous chemicals (CN and etc)	N/A	Government of Armenia	Geoteam CJSC	N/A	N/A
Construction and Architecture permits	N/A	Local government and the Ministry of Urban Development where required	Geoteam CJSC	N/A	N/A
Gas and power use designs and construction expertise and permits	N/A	Gasprom and Armenian Electric Networks	Geoteam CJSC	N/A	N/A
Waste Passports	N/A	MNP	Geoteam CJSC	N/A	N/A
Waste Disposal	N/A	MNP	Geoteam CJSC	N/A	N/A
<b>Existing Material Project Authorizations that Require Amendment</b>					
Mine Closure Plan	N/A	MENR	Geoteam CJSC	N/A	N/A

Name	Date of Issuance	Issuing Authority	Holder	Date of Expiry	Applicable Amendments
Technical Safety	N/A	"National Center of Technical Safety" SNCO	Geoteam CJSC	N/A	N/A
Environmental Impact Assessment	N/A	MNP	Geoteam CJSC	N/A	N/A
Mining Agreement (SHATV-29/245)	N/A	MENR	Geoteam CJSC	N/A	N/A
Mining Permission (SHATV- 29/245)	N/A	MENR	Geoteam CJSC	N/A	N/A

<sup>(1)</sup> MENR- Ministry of Energy and Natural Resources Republic of Armenia

<sup>(2)</sup> Mine Closure Plan is a standalone document and is submitted to the MENR either separately or together with the Mining Permit application. The approval is not a separate document.

<sup>(3)</sup> Technical Safety is one of three expertise's which must be passed before Mining Permission will be granted (other two are GKZ resource approval and EIA).

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**SCHEDULE J**

**Project Agreements**

**See attached.**

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## **SCHEDULE J**

### **Project Agreements**

Description	In Place
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#### **ENGINEERING & PROJECT MANAGEMENT**

##### **FEED Services & Support for VE Optimization**

Engineering for NI 43-101 VE & Optimization - Process facilities & Infrastructure	complete
Engineering for NI 43-101 VE & Optimization - BRSF	complete
Engineering for NI 43-101 VE & Optimization - Haul Road & Surface Water Management	complete
Engineering for NI 43-101 VE & Optimization - Mine Planning & Contract Mining Studies	complete
Engineering for NI 43-101 VE & Optimization - Geology & Mineral Resources	complete
Metallurgical Test Work	complete
Project /Construction Management Support	complete

##### **Engineering, Procurement & Project Management Services**

Process Facilities & Infrastructure - Basic & Detail Engineering	No
Surface Water Management System - Basic & Detail Engineering	No
Haul Road (RD-3) - Basic Engineering & Detail Engineering	No
Heap Leach Facility - Basic & Detail Engineering	No
Barren Rock Storage Facility - Basic & Detail Engineering	No
Project Management Support	No
Construction Management Services	No

#### **PROCESS FACILITIES- ENGINEERING & SUPPLY PACKAGES**

Crushing & Screening Plant	No
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Materials Handling Systems (Overland Conveyor, stockpile & truck loadout facilities)	No
ADR Plant	No
HV/MV Electrical Power Supply	No

## CONSTRUCTION CONTRACTS

### Civil Works, Process Facilities & Infrastructure

#### EARTHWORKS

Mass Earthworks - Heap Leach Facility, including the HLF, ponds PD-1/5/8a, diversion channels, ADR (PL-2), RD-12/4/13, and other miscellaneous earthworks in the area.	No
Mass Earthworks - Mine Haul Roads, including RD-3 (Mine Haul road), channel C-1/4, PL-13, and sediment ponds PD-15.	No
Mass Earthworks - In-Pit Roads and Mine Pre-Strip for Mine Pits Tag/Art - pre-strip and in-pit roads.	No
Mass Earthwork - Material Handling Area, including the crusher PL-12, conveyor PL-4 and PL-3/10, RD-10.	No
Mass Earthworks - Infrastructure. Administration and mine facility area platforms, and site access roads RD-1, RD-2, RD-6, RD-7 & RD-9	No
Mass Earthworks - BRSF, including BRSF-1, PD-7T and gravity pipeline PL-15.	No

### Structural, Mechanical & Electrical Erection

Conveyor and Truck Loadout, for installation the the primary/secondary and screening facilities; excludes mass earthworks.	No
Crusher, for installation of the primary/secondary and screening facilities; excludes mass earthworks.	No
ADR Plant and HLF, including installation of the ADR plant package and the mechanical/piping for the HLF solutions.	No
HDPE Lining, installation of the geomembrance liner in the HLF facility and other miscellaneous locations: excludes the supply of the liner.	No



**Mechanical & Piping Systems Installation**

Arpa River Pumping & Piping System	No
Irrigation Pipeline relocation - PL-17	No

**Electrical Systems Installation**

HV Substation, MV Reticulation, LV Reticulation, Transformers & MCC's	No
Communication, Security Surveillance & Fire Alarm Systems Installation	No

**Architectural & Building EPC Packages**

Administration Buildings	No
Mine Shop Buildings	No
Mine Offices & Maintenance Facility	No

**Project Procurement Services (off-shore)**

Quality Assurance Services (off-site)	No
Logistics and Materials Management	No

**Temporary Construction Services**

Misc. Earthworks	No
Construction Sewage Services	No
Aggregate Plant	No
Concrete Batch Plant	No
Rental Cranes	No
Bussing & Transportation (multiple contracts in aggregate)	No
Topographic Survey	No
Soils & Concrete Laboratory Services (QA)	No

Fuel Supply	No
Site Security	No

#### **MAJOR PROCUREMENT CONTRACTS**

HDPE Liner	No
HDPE Pipe	No

#### **OPERATIONS CONTRACTS**

Fuel Contract	No
Power Contract	No
Reagent Contract	No
Refining Agreement	No
Explosives	No
Accommodations	No

#### **CORPORATE CONTRACTS**

Newmont Royalty Agreement, dated April 23, 2010 between Lydian, Geoteam and Newmont Overseas Exploration Limited	Yes
Share Charge Agreement, dated April 2010 between Lydian International Holdings Limited and Newmont Overseas Exploration Limited	Yes
Loan Agreement dated January 5, 2008 between Lydian International Limited and Geoteam CJSC	Yes
Amendment, dated November 11, 2015 to the Loan Agreement dated January 5, 2008 between Lydian International Limited and Geoteam CJSC	Yes
Loan Agreement, dated August 24, 2011 between Lydian International Limited and Georgian Resource Company LLC	Yes
Annex 1 dated October 5, 2015 to the Loan Agreement between Lydian International Limited and Georgian Resource Company LLC dated August 24, 2011	Yes
Loan arrangement, which Lydian has confirmed is not governed by a	

written agreement, between Lydian U.S. Corporation and Lydian International Limited	Yes
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Contract, dated October 15, 2011 between Geoteam CJSC and Lydian International Limited on Provision of Consulting Services pertinent to preliminary economic assessment and bankable feasibility study	Yes
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Contract, dated February 24, 2012 between Geoteam CJSC and Lydian International Limited on Provision of Consulting Services pertinent to preparation of detail engineering and design	Yes
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The Mining License Agreement № PV-245 "On Mining Permit" on subsurface use for the purpose of mining of minerals, dated September 26, 2012 between Geoteam CJSC and the Ministry of Energy and Natural Resources of the Republic of Armenia, as amended by an amendment to the Mining License Agreement № PV-245, dated November 26, 2014, and as may be further amended from time to time.	Yes
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**BIO DIVERSITY**

Agreement "On translocation of individual plants of new population of the species listed in the Republic of Armenia Red Book" entered into between Geoteam CJSC and RA Ministry of Nature Protection in August, 2015 and Appendix 1 thereto	Yes
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Bio-diversity offset commitment	No
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**LAND AGREEMENTS**

Purchased land from private owners, listed at Section C of Schedule Y	Yes
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Land Rentals of Community properties in Sarvan, Gorhayk, Gndevaz listed at Section A of Schedule Y	Yes
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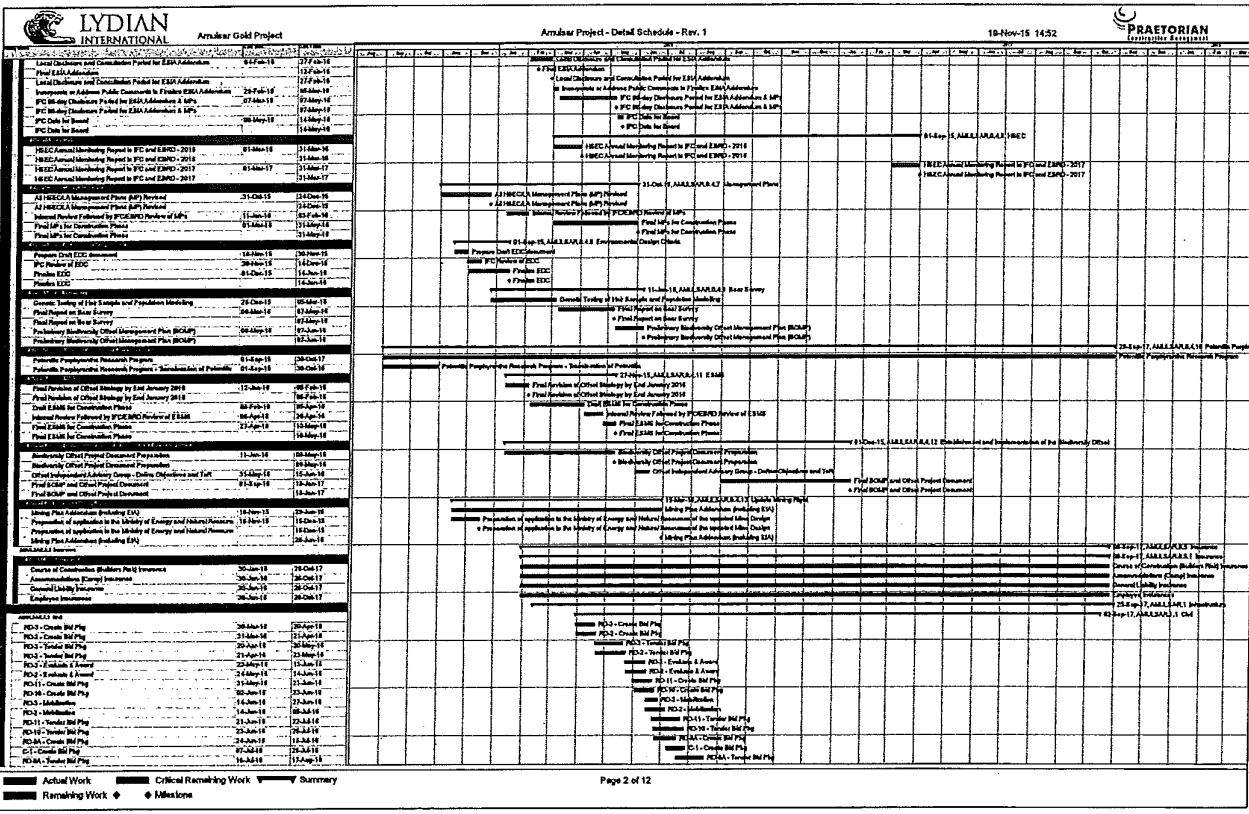
**SCHEDULE K**

**Project Schedule**

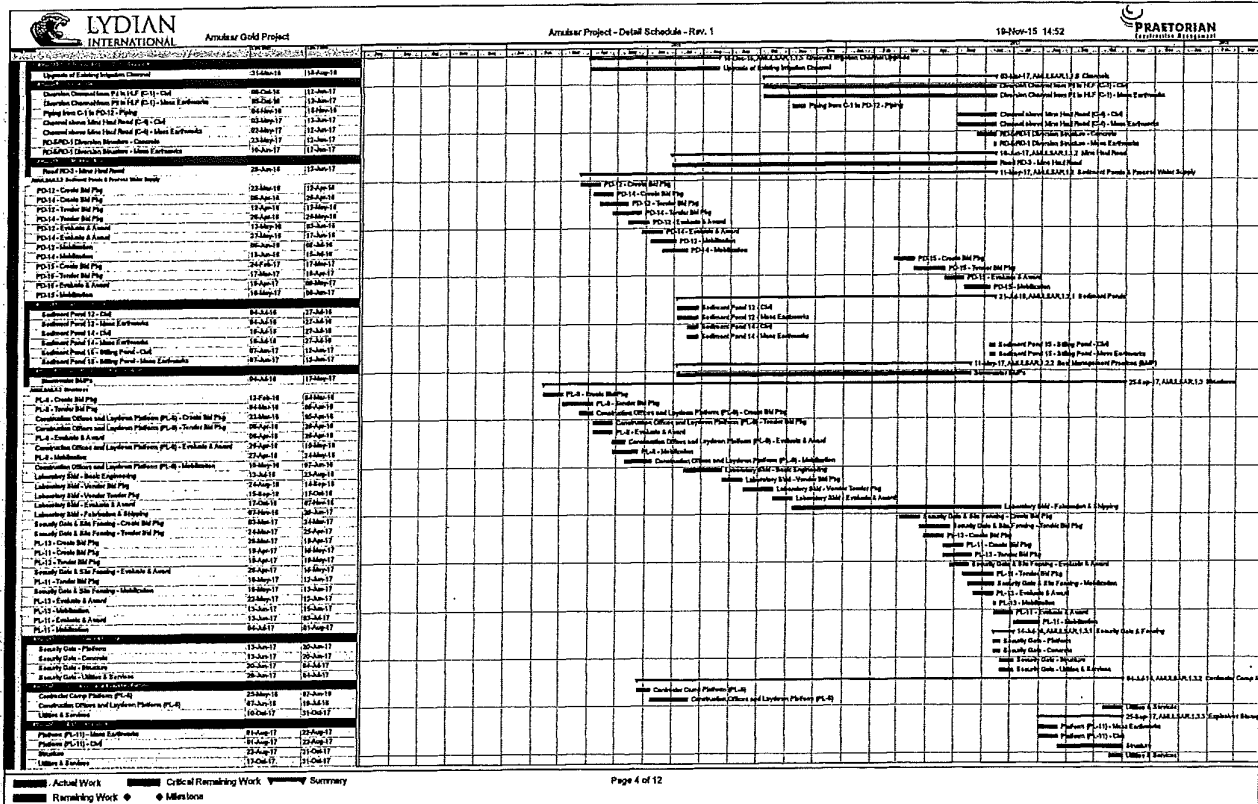
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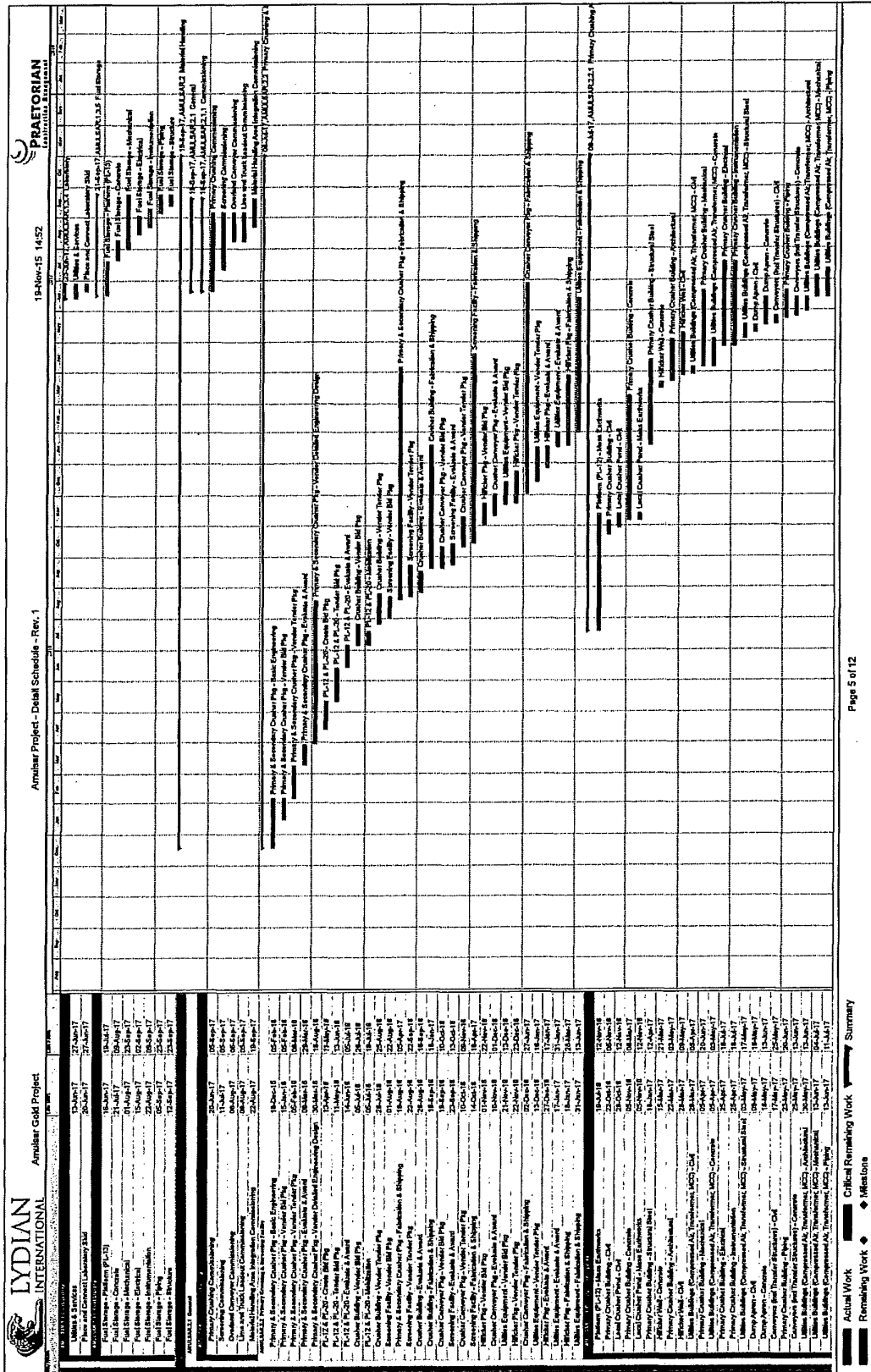




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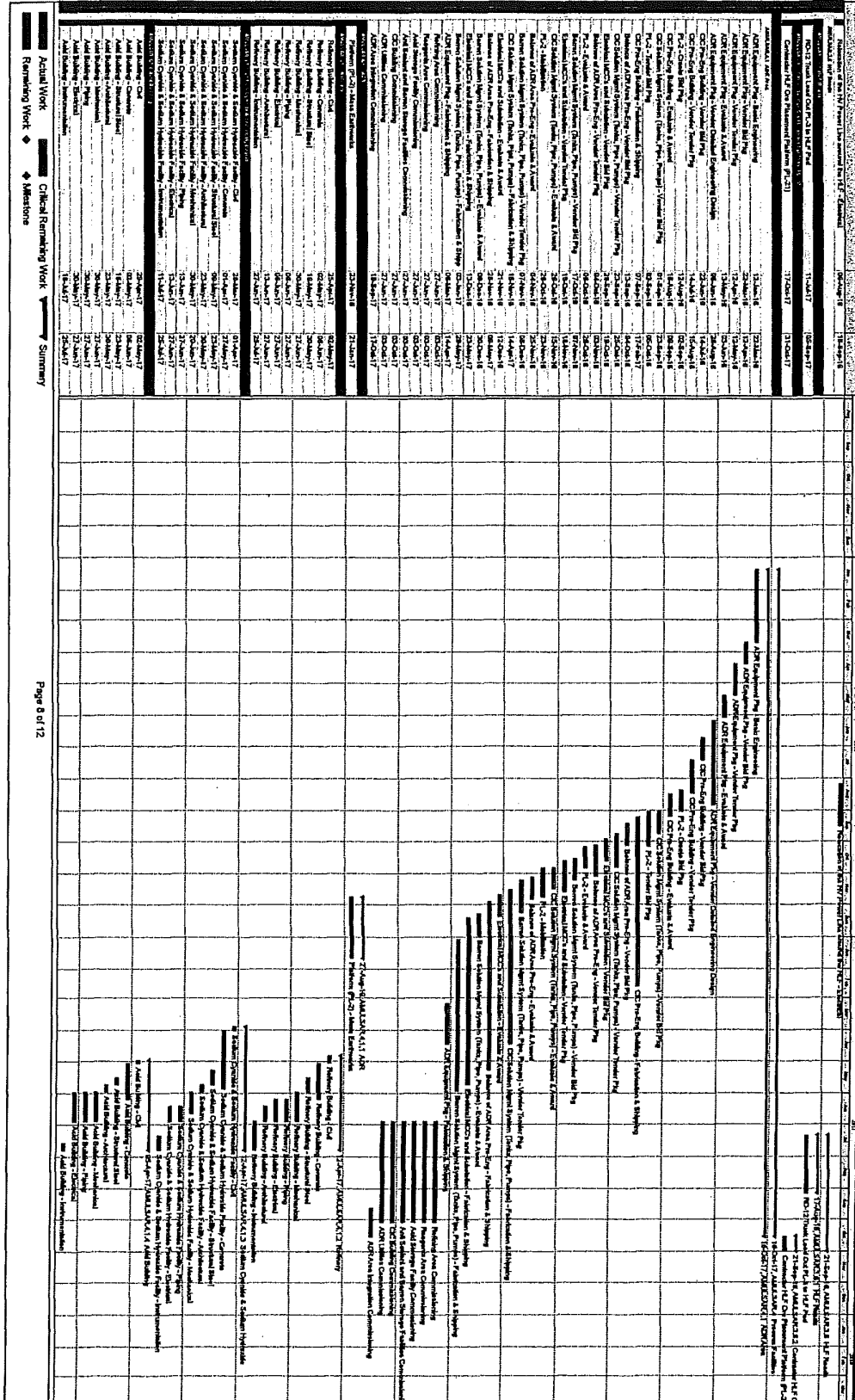




















 Actual Work   
  Critical Remaining Work   
  Summary  
 Remaining Work   
  ♦   
 ♦ Milestones



**SCHEDULE L**

**Purchaser Assignment Agreement**

**ASSIGNMENT AGREEMENT**

This AGREEMENT is made as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**B E T W E E N:**

■

(the "Assignor")

OF THE FIRST PART

**AND:**

■

(the "Assignee")

OF THE SECOND PART

**WHEREAS** Lydian Armenia CJSC, as Seller, Lydian International Limited, as Guarantor, Osisko Bermuda Limited (as successor to Orion Co IV (SO) Limited), Resource Capital Fund VI L.P. and each of the other Purchasers from time to time party thereto, as Purchasers, and Osisko Bermuda Limited, as Purchasers' Agent, are parties to an amended and restated purchase and sale agreement dated January 15, 2019 (as the same may be amended, restated, renewed or replaced from time to time, the "Purchase Agreement");

**AND WHEREAS** the Assignor wishes to assign to the Assignee in accordance with the terms hereof all or a portion of its Commitment under the [First Deposit/Second Deposit/Third Deposit] pursuant to the Purchase Agreement and the Assignee wishes to accept such assignment and assume the obligations of the Assignor in respect of the Assigned Interest (as defined below) from and after the Assignment Date (as defined below);

**AND WHEREAS** this Agreement is being delivered to the other Parties in accordance with Section 16.11(i) of the Purchase Agreement.

**NOW THEREFORE** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereby agree as follows:

1. **Terms Defined in the Purchase Agreement.** In this Agreement (including the recitals), words and expressions which are defined in the Purchase Agreement and which appear herein without definition shall have the respective meanings ascribed thereto in the Purchase Agreement.

2. **Assignment of Assigned Interest.** The Assignor hereby irrevocably sells, assigns and transfers to the Assignee, effective as of \_\_\_\_\_ (the "Assignment Date"), all [or specify portion] of its Commitment under the [First Deposit/Second Deposit] and its rights and obligations in respect of the Third Deposit Option pursuant to the Purchase Agreement, together with all its right, title and interest (to the extent related to such assigned Commitment) in and to the Purchase Agreement and all other documents delivered pursuant thereto or in connection therewith (collectively, the "Assigned Interest"), and the Assignee hereby accepts such assignment and assumes all the Assignor's obligations with respect to the Assigned Interest from and after the Assignment Date. Notwithstanding the foregoing, and for greater certainty, if any payments or deliveries with respect to the Assigned Interest have accrued up to and including the Assignment Date but are payable or deliverable by the Seller thereafter, as between the Seller and the Assignor (but without prejudice to any other agreement between the Assignor and the Assignee in that regard) such amounts or deliveries shall be paid or delivered by the Seller to the Assignor when such amounts become payable or deliverable in accordance with the terms of the Purchase Agreement; and the parties agree to make any necessary adjustments in this regard. The Assignee agrees to be bound by the Purchase Agreement and perform the obligations assigned to it hereunder.
3. **Updated Purchasers' Schedule.** Attached hereto is an updated version of Schedule C (Purchasers) to the Purchase Agreement ("Updated Purchasers' Schedule") reflecting the assignment and assumption of the Assigned Interest pursuant to this Agreement.
4. **Purchase Price and Payment.** The Assignee hereby unconditionally and irrevocably agrees to pay US\$\_\_\_\_\_ (the "Purchase Price") to the Assignor on the Assignment Date as the purchase price for the Assigned Interest in immediately available same day funds to the Assignor's account, as follows:  
  
[particulars of account]
5. **Assignment Without Recourse.** The Assignee shall have no recourse to the Assignor in respect of the Assigned Interest or any failure of the Seller to observe and perform its obligations in respect thereof.
6. **Representations and Warranties of the Assignor.** The Assignor represents and warrants to the Assignee as follows:
  - (a) the Assignor has the power to enter into, deliver and perform, and has duly authorized the execution and delivery by it of this Agreement and the performance of its obligations hereunder;
  - (b) the Assignor has good and sufficient right, title and authority to assign the Assigned Interest to the Assignee; and
  - (c) the Assigned Interest is free and clear of all security interests, liens, encumbrances and adverse claims whatsoever.

7. **Representations and Warranties of the Assignee.** The Assignee represents, warrants and covenants to and in favour of the Assignor as follows:

- (a) the Assignee has the power to enter into, deliver and perform, and has duly authorized the execution and delivery by it of this agreement and the performance of its obligations hereunder;
- (b) the Assignee has itself been, and will continue to be, solely responsible for making its own independent appraisal of, and investigation into, the financial condition, affairs, status and nature of the Seller and has not relied and will not hereafter rely on the Assignor to appraise or keep under review on its behalf the financial condition, affairs, status or nature of the Seller; and
- (c) the Assignee acknowledges and confirms that, except as otherwise expressly provided herein, the Assignor is making no representations or warranties whatsoever as to the legality, effectiveness, validity, sufficiency, value or enforceability of the Purchase Agreement or any other document or instrument delivered by the Assignor to the Assignee in connection herewith and is not responsible for the non-performance thereof by any person or party thereto (other than the Assignor) or for the financial condition of the Seller or any other person liable with respect to the Purchase Agreement or any other document or instrument entered into pursuant thereto or in connection therewith.

8. **Notices.** Unless otherwise specifically provided in this Agreement, any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered by hand to an officer or other responsible employee of the addressee or transmitted by facsimile transmission or sent by electronic mail in PDF format, addressed to:

- (a) to the Assignee:

■

- (b) to the Assignor:

■

Any notice or other communication given in accordance with this section, if delivered by hand as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery is received before 4:00 pm at the place of delivery; otherwise, it shall be deemed to be validly and effectively given on the Business Day next following the date of delivery. Any notice of communication which is transmitted by facsimile transmission or electronic mail as aforesaid, shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was received before 4:00 pm at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

9. **Benefit of Agreement and Assignment.** This Agreement shall be binding upon and shall enure to the benefit of the parties hereto and their respective successors and permitted assigns.
10. **Severability.** If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect and the Parties shall negotiate in good faith to replace any provision that is invalid, illegal or unenforceable with such other valid provision that most closely replicates the economic effect and rights and benefits of such impugned provision.
11. **Further Assurances.** The parties shall, from time to time, take such action and execute and deliver such documents as may be reasonably necessary or appropriate to give effect to the terms, provisions and intent of this Agreement; provided that any such documents requested by the Assignee shall not be at the expense of the Assignor.
12. **Governing Law.** This Agreement shall be governed by and construed under the laws of the Province of Ontario and the federal laws of Canada applicable therein (without regard to its laws relating to any conflicts of laws). The United Nations Vienna Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.
13. **Counterparts.** This Agreement may be executed in one or more counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopy or electronic scan shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be duly executed as of the day and year first above written.

■

By:

\_\_\_\_\_  
Name  
Title

■

By:

\_\_\_\_\_  
Name  
Title

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**UPDATED VERSION OF SCHEDULE C**

To be attached.

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### AGREEMENT AND UNDERTAKING BY ASSIGNEE

Capitalized terms not otherwise defined herein have the meanings given thereto in that certain Assignment Agreement made as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ between ■, as assignor, and ■, as assignee (the "Assignment Agreement"), a copy of which is annexed hereto.

Pursuant to Section 15.11(g) of the Purchase Agreement, the Assignee hereby agrees and undertakes in favour of the Seller, Lydian, the other Guarantors, the Purchasers and the Collateral Agent to be bound by the Purchase Agreement and to perform the obligations assigned to it under the Assignment Agreement.

■

By:

\_\_\_\_\_  
[Name]

[Title]

## **ACKNOWLEDGEMENT AND AGREEMENT BY SELLER AND LYDIAN**

Capitalized terms not otherwise defined herein have the meanings given thereto in that certain Assignment Agreement made as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ between ■, as assignor, and ■, as assignee (the "Assignment Agreement"), a copy of which is annexed hereto.

The Seller and Lydian hereby consents to the assignment and assumption of the Assigned Interest pursuant to the Assignment Agreement (if required under the terms of the Purchase Agreement), and the Seller and Lydian agrees that effective upon the Assignment Date: (i) the Assigned Interest shall constitute the property of the Assignee; (ii) the Assignor shall be released from all of its obligations to the Seller under the Purchase Agreement in respect of the Assigned Interest, including, without limitation, the obligation to provide the Deposit thereunder in respect of the Assigned Interest; and (iii) the Assignee shall be one of the Purchasers under the Purchase Agreement to the same extent as if the Assignee had entered into the Purchase Agreement. The Seller and Lydian hereby acknowledge receipt of the Updated Purchasers' Schedule as attached to the Assignment Agreement.

The Seller agrees to make, effective from and after the Assignment Date, any delivery of Refined Gold, Refined Silver or any other payment or delivery that would otherwise be payable or deliverable in respect of the Assigned Interest to the Assignor under the Purchase Agreement to the Assignee.

### **LYDIAN ARMENIA CJSC**

By:

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Title]

### **LYDIAN INTERNATIONAL LIMITED**

By:

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
[Title]

### ACKNOWLEDGEMENT AND AGREEMENT BY OTHER PARTIES

Capitalized terms not otherwise defined herein have the meanings given thereto in that certain Assignment Agreement made as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ between ■, as assignor, and ■, as assignee (the "Assignment Agreement"), a copy of which is annexed hereto.

The Purchasers' Agent hereby consents to the assignment and assumption of the Assigned Interest pursuant to the Assignment Agreement (if required under the terms of the Purchase Agreement).

The undersigned hereby acknowledge receipt of the Assignment Agreement. The undersigned hereby acknowledge receipt of the Updated Purchasers' Schedule as attached to the Assignment Agreement and acknowledge that for all purposes it shall be a revised Schedule C under the Purchase Agreement.

#### [PURCHASERS' AGENT]

By:

\_\_\_\_\_  
[Name]

[Title]

#### [OTHER PURCHASERS]

By:

\_\_\_\_\_  
[Name]

[Title]



**SCHEDULE M**

**Other Real Property**

**See attached.**

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**SCHEDULE M****OTHER REAL PROPERTY****Description of Properties not related to the Project**

<b>Name</b>	<b>Date of issuance</b>	<b>Parties</b>	<b>Date of expiry</b>	<b>Location</b>
License for exploration-extraction of minerals	04 October 2011	Ministry of Energy and Natural Resources Georgia and Georgian Resource Company	05 October 2051	Georgia
Royalty Agreement	11 May 2011	Lydian International Limited and Kosovo Metals Group JSC	N/A	Kosovo
Royalty Agreement	25 March 2009	Lydian International Limited (formerly known as Lydian Resource Company Limited) and Galata Madencilik Sanayi Ve Ticaret Limited Sirketi	N/A	Turkey
Exploration permit Khachaqar	31 January 2013	Ministry of Energy and Natural Resources Armenia and Geoteam CJSC	31 January 2016	Armenia
Office lease agreement	01 July 2014	7000 S. YOSEMITE, LLC and Lydian U.S. Corporation	30 June 2016	USA
Jersey office lease	Month to Month	Lydian International Limited and Esplanade Holding Limited 3 5/6 Esplanade	Month to month rental	Jersey

		St. Helier, Jersey		
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**SCHEDULE N**

**Royalties**

**See attached.**

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## **SCHEDULE N**

### **Royalties**

#### **Government Royalties**

1. Royalty is a nature management fee payable to the state budget as a compensation for the usage of metallic ore and sales of processed products from metallic ore.
2. The royalty calculation base is the revenue (exclusive of VAT) received from the sale of mineral product (hereinafter referred to as the "revenue") with a given accounting reference period. For the purposes of this law, mineral product means ore concentrate. Where the product sold is an alloy or another processed product (hereinafter referred to as the "product"), the computed value of the concentrate used and/or contained in the supplied product shall be considered for this purpose. The methodology of revenue calculation is established by the Armenian Government.
3. The royalty fee sum is calculated as product from revenue amount multiplied by outcome from royalty interest formula as follows:

$$R = 4 + (P / (S \times 8)) \times 100, \text{ where}$$

R – royalty interest percentage rate.

P – profit (in AMD) before taxation i.e. revenue less any deductions allowed by the Armenian Law "On Profit Tax" (except financial costs and tax losses for the previous years).

S – revenue from the sale of products net of VAT.

Royalty is calculated for every accounting reference period on the basis of the revenue and the royalty interest rate referred to above.

4. The reporting period is the calendar year.
5. A Royalty Calculation Report, showing the royalty fee calculating according to the formula in section 3 above, is submitted to the state tax authority and is (standard form) in every accounting reference period. The Royalty Calculation Report shall be submitted not later than the 15th of April of the year following the end of the reporting period.

Where no activities are carried out in the reporting year or where there is no royalty calculation base, a written statement shall be submitted, which shall be considered to be a summary calculation report form.

The royalty payers shall, together with the royalty calculation report, submit to the taxing authorities copies of the contracts (a memorandum in the Armenian language containing the terms of those contracts or Armenian translations of those contracts) under which the products shall be supplied during the course of the upcoming year. If a contract is entered into or an existing contract is amended after the date of submission, the royalty payer shall provide copies of new/amended contracts shall be submitted to the taxing authorities within 30 days after execution/amendment. Information on termination of contracts shall be submitted to taxing authorities within 30 days after termination.

6. Royalties shall be paid not later than the 25th of April of the year following the end of the reporting period.

The amount of the annual royalty payable for a given reporting period is determined by deducting the royalty advance payments made in the course of the reporting period.

Royalty advance payments are made every quarter and amount to  $\frac{1}{4}$  of the royalty paid for the previous year. Royalty advance payments shall be made before the 15<sup>th</sup> day of the third month of the quarter.

If the international market price of the concentrate supplied during the first two months of the quarter is 20% or more above/below the average price of the concentrate for the previous year, the amount of advance payments shall be adjusted accordingly.

### **Newmont Royalties**

Pursuant to a Royalty Agreement dated April 23, 2010 between Lydian International Limited, Lydian Resources Armenia Limited, Geoteam CJSC (collectively, the “Grantor”) and Newmont Overseas Exploration Limited (the “Grantee”), the Grantor agreed to pay the Grantee, following the start of commercial production, a royalty calculated as a 3% of Net Smelter Returns (“NSR”).

NSR shall be determined by multiplying the gross number of troy ounces of precious metals recovered from production during the preceding calendar month by i) for gold, the average of London Bullion Market, Afternoon Fix, spot prices reported for the preceding calendar month, or ii) for all other precious metals, the average of the New York Commodities Exchange final spot prices reported for the preceding calendar month for the particular mineral for which the price is being determined. Refining charges (unless related to smelting or refining raw or crushed ore containing precious metals or other preliminary processes precious metals), penalty substances and transportation and insurance costs shall be subtracted from NSR.

However, between April 23, 2010 and the date that is 20 days following the commencement of commercial production, Lydian may, at its option, elect to buy out the 3% NSR and instead pay to

Newmont the aggregate sum of \$20 million, without interest, in 20 equal quarterly installments of \$1 million, commencing on the first day of the third calendar month following the start of commercial production. Pursuant to this option, Lydian may choose to pay these quarterly installments in a single cash payment subject to an annual discount rate of 10%. If Lydian elects to buy out the NSR and to prepay its obligation, it must only make a single payment of approximately \$15.7 million.

**SCHEDULE O**

**Form of Subscription Agreement**

**See attached.**

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**SUBSCRIPTION AGREEMENT**

**Between**

**[ORION CO-IV (ED) LIMITED/RESOURCE CAPITAL FUND VI L.P.]<sup>1</sup>**

**- and -**

**LYDIAN INTERNATIONAL LIMITED**

**[■]**

**[NTD: The Investors to subscribe for Common Shares, where closing will occur concurrent with the release of funds from escrow pursuant to a public offering of subscription receipts. The release of funds from escrow under the public offering will be similarly contingent on closing of this private placement for, among other things, underwriter marketing purposes.]**

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<sup>1</sup> NTD: This is a form of subscription agreement that will be broken out for each of Orion Co-IV (ED) Limited and Resource Capital Fund VI L.P., signed concurrently with the execution of the underwriting agreement for the public offering, and closed upon satisfaction of the conditions precedent to funding set out herein.

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## **SUBSCRIPTION AGREEMENT**

**THIS AGREEMENT** is made as of the ■ day of ■, ■.

**BETWEEN:**

**[ORION CO-IV (ED) LIMITED/ RESOURCE CAPITAL FUND VI L.P.]**  
(the "Investor")

- and -

**LYDIAN INTERNATIONAL LIMITED**, a corporation existing under the laws of Jersey (the "Company")

**RECITALS:**

- A. The Company is currently developing the Project.
- B. The Investor has agreed to provide capital to the Company to facilitate the development of the Project in conjunction with the debt, equity and stream funding on the terms set out in this Agreement, the Stream Agreement and the Credit Agreement.
- C. The Investor has agreed to subscribe for and purchase, on a private placement basis, Common Shares of the Company concurrently with the conversion of the subscription receipts offered in the Public Offering into Common Shares on the terms and conditions set out in this Agreement.

**NOW THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### **ARTICLE 1** **DEFINITIONS AND INTERPRETATION**

#### **1.1      Defined Terms**

For the purposes of this Agreement (including the recitals and schedules hereto), unless the context otherwise requires, the following terms shall have the respective meanings given to them, as set out below, and grammatical variations of such terms shall have corresponding meanings:

- (a) "Affiliate" means, with respect to any Person, any other Person which directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person.
- (b) "AML Legislation" means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Proceeds of Crime (Jersey) Law 1999*, the *Terrorism (Jersey) Law 2002* and the *Money Laundering (Jersey) Order 2008*

(Jersey), Armenian law "On Combating Money Laundering and Terrorism Financing" and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" Applicable Laws, whether within Canada or Jersey, to the extent applicable to the Company or its Subsidiaries, elsewhere, including any regulations, guidelines or orders thereunder.

- (c) "**Anti-Corruption Laws**" means the *Corruption of Foreign Public Officials Act* (Canada), the *United Kingdom Bribery Act 2010*, the *Corruption (Jersey) Law 2006* (Jersey) and the *United States Foreign Corrupt Practices Act of 1977*, and all other laws, rules, and regulations of any jurisdiction applicable to the Company or its Subsidiaries from time to time concerning or relating to bribery or corruption.
- (d) "**Applicable Law**" means any law (including common law and equity), any international or other treaty, any domestic or foreign constitution or any multinational, federal, provincial, territorial, state, municipal, county or local statute, law, ordinance, code, rule, regulation, Order (including any securities laws or requirements of stock exchanges and any consent, decree or administrative Order), or Authorization of a Governmental Body in any case applicable to any specified Person, property, transaction or event, or any such Person's property or assets.
- (e) "**Arbitration Rules**" means the International Arbitration Rules of the International Centre for Dispute Resolution.
- (f) "**Authorization**" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Body having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval, mining permit, development permit or building permit) or from any Person in connection with any easements, contractual rights or other matters.
- (g) "**Board**" means the board of directors of the Company.
- (h) "**Business**" means the financing, development, construction, and operation of, and extraction of mineral resources from, the Project.
- (i) "**Business Day**" means any day, other than (a) a Saturday, Sunday or statutory holiday in any one of New York City, New York, Denver, Colorado, St. Helier, Jersey, or Hamilton, Bermuda, or (b) a day on which banks are generally closed in any one of those cities.
- (j) "**Claim**" means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment.
- (k) "**Closing**" means the closing of the purchase and sale of the Purchased Securities.

- (l) **"Closing Date"** means the date that the Release Certificate (as defined in the Company's short form prospectus dated [■] (**"Prospectus"**)) is delivered by the Company to the Escrow Agent (as defined in the Prospectus), a copy of which Release Certificate shall be concurrently delivered to the Investor.
- (m) **"Closing Time"** means 8:00 a.m. (Toronto time) on the Closing Date or such other time mutually agreed to by the Investor and the Company.
- (n) **"Common Shares"** means the ordinary shares of no par value which the Company is authorized to issue.
- (o) **"Company Property"** means the Project Property and all of the Company's and its Subsidiaries' other presently held undertaking, property and assets.
- (p) **"Concurrent Private Placement"** means the concurrent private placement of Common Shares by the Company to [Orion Co-IV (ED) Limited/Resources Capital Fund VI L.P.] or its Affiliate for aggregate gross proceeds of \$[24,250,000/53,350,000], the closing of which shall occur on the date hereof.
- (q) **"Construction Budget"** means the budget for the construction of the Project as approved by the Board, the current version of which is set forth at Schedule 1.1(q), as the same be amended, revised, supplemented or replaced from time to time in accordance with the terms of the Stream Agreement.
- (r) **"Contract"** means any agreement, contract, lease, license, concession, option, indenture, mortgage, deed of trust, debenture, note or other instrument, arrangement, understanding or commitment, whether written or oral.
- (s) **"Control"** means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlling"** and **"Controlled"** have meanings correlative thereto.
- (t) **"Credit Agreement"** means the credit agreement dated November 30, 2015 among Geoteam CJSC, the Company, the Lenders party thereto and Orion Co-IV (ED) Limited making up to \$185,000,000 of construction and development financing for the Project available to Geoteam CJSC, as amended from time to time.
- (u) **"EBRD"** means the European Bank for Reconstruction and Development.
- (v) **"EBRD Agreement"** means the subscription agreement dated March 21, 2014 between the Company and EBRD.
- (w) **"EHS Guidelines"** means the World Bank Group Environmental, Health, and Safety General Guidelines (April 2007) and Environmental, Health and Safety

Guidelines for Mining (December 2007), as amended, supplemented or superseded from time to time.

- (x) **"Encumbrance"** means any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, consignment, lease, hypothecation, security interest, including a purchase money security interest, or other security agreement, trust or arrangement having the effect of security for the payment of any debt, liability or obligation.
- (y) **"Environmental and Social Laws"** means, collectively, Environmental Laws applicable to the Project, Applicable Laws related to Environmental or Social Matters and any specific agreements entered into with any Governmental Body which include commitments related to Environmental or Social Matters.
- (z) **"Environmental and Social Matters"** means those environmental and social aspects identified in the ESIA which are considered relevant to the Project.
- (aa) **"Environmental and Social Requirements"** means, collectively, Environmental and Social Laws, the Performance Standards and the EHS Guidelines and any additional requirements necessary to comply with the Equator Principles.
- (bb) **"Environmental Laws"** means all Applicable Laws relating to the protection of the environment, natural resources, human health, occupational safety, Hazardous Substances, the assessment of environmental and social impacts or the rehabilitation, reclamation and closure of lands used in connection with the Business.
- (cc) **"Equator Principles"** means the Equator Principles - June 2013, developed by the Equator Principles Association, as amended, supplemented or superseded from time to time.
- (dd) **"Equipment Financing"** means one or more committed equipment financing facilities in the aggregate principal amount of at least \$70,000,000 entered into by Geoteam CJSC with one or more equipment financiers.
- (ee) **"Equity Securities"** means the Common Shares and any other security of the Company that carries a residual right to participate in the earnings of the Company and, on liquidation or winding up of the Company, in its assets.
- (ff) **"ESIA"** means the Environmental and Social Impact Assessment prepared by Geoteam CJSC for the Project and published on May 2015, together with all management plans required thereby, as the same may be amended, revised, supplemented or replaced from time to time.
- (gg) **"Exempted Securities"** means: (i) Equity Securities or Share Rights issued as non-cash consideration for the acquisition of mining and related real property interests or the acquisition of interests in another resource corporation by the Company, including by way of purchase of securities or by way of merger,

amalgamation, purchase of substantially all of the assets, or other reorganization; (ii) Equity Securities or Share Rights issued pursuant to, or upon the exercise, exchange or conversion of Share Rights issued pursuant to, compensation plans that have been approved by the shareholders of the Company and any required stock exchange or issued to management, directors or employees of the Company and/or any Subsidiary as consideration for services provided to the Company or Subsidiary provided that the number of Equity Securities or Share Rights so issued or issuable shall not exceed 7% of the issued and outstanding Common Shares, on a partially-diluted basis, calculated at the time of the issuance of the Exempted Securities; (iii) Equity Securities issued in connection with the exercise, exchange or conversion of: (A) Share Rights outstanding on the date hereof or issued pursuant to contractual arrangements in force on the date hereof and only as disclosed in Schedule 1.1(gg) or (B) Share Rights issued after execution of this Agreement in accordance with Section 4.4.

- (hh) **"Financial Statements"** means the audited consolidated financial statements of the Company as at and for the year ended December 31, 2014, including the notes thereto, together with the auditor's report thereon, and the unaudited interim consolidated financial statements of the Company as of and for the three and nine months ended September 30, 2015, each of which form part of the Public Disclosure Documents.
- (ii) **"Fiscal Year"** means the period of January 1 to December 31 of each year.
- (jj) **"Good Industry Practice"** means, in relation to any decision or undertaking, the exercise of that degree of diligence, skill, care, prudence, oversight, economy and stewardship which is commonly observed or would reasonably be expected to be observed by skilled and experienced professionals in the international mining industry engaged in the same type of undertaking under the same or similar circumstances and giving consideration to local and regional conditions and circumstances.
- (kk) **"Governmental Body"** means any domestic or foreign federal, provincial, regional, state, municipal or other government, governmental department, agency, authority or body (whether administrative, legislative, executive or otherwise), court, tribunal, commission or commissioner, bureau, minister or ministry, board or agency, or other regulatory authority, including any securities regulatory authorities or stock exchange, and including the Ministry of Energy and Natural Resources of the Republic of Armenia.
- (ll) **"Hazardous Substances"** means any substance, material or waste defined, regulated, listed or prohibited by Environmental Laws, including pollutants, contaminants, chemicals, deleterious substances, dangerous goods, hazardous or industrial toxic wastes or substances, tailings, wasterock, radioactive materials, flammable substances, explosives, petroleum and petroleum products, polychlorinated biphenyls, chlorinated solvents and asbestos.



- (mm) **"HSEC Policy"** means the integrated health, safety, environmental and community policies and operating guidelines for the Project adopted by the Board, as the same may be amended, revised, supplemented or replaced from time to time.
- (nn) **"IFC"** means the International Finance Corporation.
- (oo) **"IFC Agreements"** means the subscription agreement dated March 21, 2014 between the Company and IFC and the subscription agreement dated March 21, 2015 between the Company and IFC.
- (pp) **"IFRS"** means the International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time.
- (qq) **"Key Transaction Documents"** shall have the meaning ascribed to it in the Stream Agreement.
- (rr) **"Losses"** means any and all damages, claims, losses, diminution of value, liabilities, fines, injuries, costs, penalties and expenses (including reasonable legal fees). Losses shall not include consequential, special, exemplary, indirect, incidental or punitive damages or loss of profits or opportunity except to the extent such losses are awarded to a third party in connection with a claim by a third party.
- (ss) **"Material Adverse Effect"** means any change, event, occurrence, circumstance, fact or effect that, when taken individually or together with all other events, occurrences, changes or effects has, or could reasonably be expected to have, a material adverse effect on: (a) the operations, results of operations, business, affairs, assets, prospects, liabilities and obligations (contingent or otherwise), capitalization or condition (financial or otherwise) of (i) Geoteam CJSC or (ii) the Company and its Subsidiaries, taken as a whole, or (b) the Project, including (i) the ability of Geoteam CJSC to develop or operate the Project substantially in accordance with the Technical Report; or (ii) any significant decrease to expected gold or silver production from the Project based on the Technical Report; or (c) the ability of the Company to perform its obligations under this Agreement, provided, in each case, that it shall not include any event, change or effect resulting exclusively from (x) the announcement of the execution of this Agreement; (y) any change in the price of the publicly listed stock of the Company; or (z) any change in gold or silver prices (it being understood that the underlying effects, events, facts or occurrences giving rise to (x), (y) or (z) that are not otherwise excluded by this proviso may be determined to constitute, or give rise to, a Material Adverse Effect).
- (tt) **"Material Contract"** means (i) the Contracts listed in Schedule 1.1(tt), (ii) the Material Project Agreements, (iii) any Contract involving the potential expenditure or revenue of more than \$10,000,000 in the aggregate or in excess of \$5,000,000 in any fiscal year, and (iv) any other Contract, the breach, loss or

termination of which could reasonably be expected to result in a Material Adverse Effect.

- (uu) **"Material Project Agreements"** means (i) the Contracts listed in Schedule 1.1(uu), and (ii) any other Project Agreements, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.
- (vv) **"Material Project Authorizations"** means (i) the Project Authorizations listed on Schedule 1.1(vv), and (ii) any other Project Authorization, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.
- (ww) **"Minerals"** means any and all marketable metal bearing material in whatever form or state that is mined, produced, extracted or otherwise recovered from the Project Real Property, and including any such material derived from any processing or reprocessing of any tailings, waste rock or other waste products originally derived from the Project Real Property, and including ore and any other products resulting from the further milling, processing or other beneficiation of Minerals, including doré.
- (xx) **"New Securities"** means any Equity Securities or Share Rights which are issued by the Company for any reason after the Closing Date, provided, however, that "New Securities" will not include Exempted Securities.
- (yy) **"OFAC"** means The Office of Foreign Assets Control of the US Department of the Treasury.
- (zz) **"Offtake Agreement"** shall have the meaning ascribed to it in the Stream Agreement.
- (aaa) **"Order"** means any order, directive, decree, judgment, ruling, award, injunction, direction or request of any Governmental Body or other decision-making authority of competent jurisdiction, including any arbitrator
- (bbb) **"Other Rights"** means all licenses, approvals, authorizations, consents, rights (including surface rights, access rights and rights of way), privileges, concessions or franchises held by the Company or its Subsidiaries or required to be obtained from any Person (other than a Governmental Body), for the construction, development and operation of the Project, as such construction, development and operation is contemplated by the Technical Report.
- (ccc) **"Person"** means and includes individuals, corporations, bodies corporate, limited or general partnerships, joint stock companies, limited liability companies, joint ventures, associations, companies, trusts, banks, trust companies, Governmental Bodies or any other type of organization or entity, whether or not a legal entity.
- (ddd) **"Performance Standards"** means the IFC Performance Standards on Environmental and Social Sustainability, effective January 1, 2012, together with

relevant documents, published by the IFC, as amended, supplemented or superseded from time to time.

- (eee) **"Permitted Encumbrances"** has the meaning set out in the Stream Agreement.
- (fff) **"Project"** means the Amulsar gold project located in south-central Armenia approximately 170 kilometres southeast of the capital of Yerevan, as described in the Technical Report, and including the exploration, construction, development, mining, production, processing, recovery, sale, transportation, storage and delivery operations in respect thereof.
- (ggg) **"Project Agreements"** means all Contracts listed in Schedule 1.1(ggg) and all other Contracts of the Company or its Subsidiaries relating to (i) the ownership, lease or use of the Project or the Project Property, (ii) the development, construction and mining operations of the Project, (iii) the sale or disposition of mineral production from the Project, including sales, royalty, streaming and off-take agreements and other similar arrangements, and (iv) any option, right of first refusal or right, title, interest, reservation, claim, rent, royalty, or payment in the nature of rent or royalty, or right capable of becoming an option, right of first refusal or right, title, interest, reservation, claim, rent, royalty, or payment in the nature of rent or royalty, in respect of the Project Property, or the mineral production or proceeds therefrom, in each case, whether entered into prior to or after the date of this Agreement.
- (hhh) **"Project Authorizations"** means all Authorizations and Other Rights (including environmental Authorizations) necessary for (i) the development, construction and mining operations of the Project, and (ii) the commencement and ongoing operation of commercial production transactions.
- (iii) **"Project Costs"** means all capital expenditures incurred by any Lydian Group Member for the purposes of developing the Project, including escalation, contingencies, initial working capital, taxes, duties, expenditures for plant equipment, spares and other capital goods, inventory, capital expenditures required to maintain the Project at its design capacity (including repairs and replacements funded by insurance proceeds), interest during construction, financing fees and expenses and other development costs, as set out in the Construction Budget.
- (jjj) **"Project Property"** means all of the property, assets, undertaking and rights of the Company and its Subsidiaries in and relating to the Project, whether now owned or existing or hereafter acquired or arising, including real property, personal property and mineral interests, and specifically including, but not limited to, the Project Real Property.
- (kkk) **"Project Real Property"** means all real property interests, all mineral claims, mineral leases and other mineral rights, concessions and interests, and all surface access rights held by any of the Company or its Subsidiaries relating to the Project

(which as of the date hereof, are as set forth in Schedule 1.1(kkk)), and all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Body. "Project Real Property" shall also include any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, mineral rights, concessions or interests, and surface access rights, owned or in respect of which an interest is held, directly or indirectly, by any of the Company or its Subsidiaries at any time prior to Closing, whether or not such ownership or interest is held continuously.

- (lll) **"Project Schedule"** means the schedule for the construction of the Project as approved by the Board from time to time, the current version of which is set forth at Schedule 1.1(lll), as the same may be amended from time to time in accordance with the terms of the Stream Agreement.
- (mmm) **"Public Disclosure Documents"** means, collectively, all of the documents which have been filed by or on behalf of the Company with the relevant Securities Regulators pursuant to the requirements of Securities Laws, including all documents publicly available on the Company's SEDAR profile.
- (nnn) **"Public Offering"** means the public offering of subscription receipts convertible into Common Shares by the Company for aggregate gross proceeds of not less than \$25,000,000, the closing of which shall occur on or about [■].
- (ooo) **"Purchased Securities"** means ■ Common Shares.<sup>2</sup>
- (ppp) **"Real Property"** means the Project Real Property and all other real property interests, mineral claims, mineral leases and other mineral rights, concessions and interests, and all surface access rights held by any of the Company or its Subsidiaries and all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Body (which, as of the date hereof, to the extent not constituting Project Real Property, are set forth in Schedule 1.1(ppp)).
- (qqq) **"Related Party"** means, with respect to any Person (the **"first named Person"**), any Person that does not deal at arm's length with the first named Person or is an associate (as defined in the *Securities Act* (Ontario)) of the first named Person and, in the case of the Company, includes: (a) any director, officer, employee or associate of the Company or any of its Affiliates, (b) any Person that does not deal at arm's length with the Company or any of its Affiliates, and (c) any Person that does not deal at arm's length with, or is an associate of, a director, officer,

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<sup>2</sup> NTD: The number of Purchased Securities will be equal to the Subscription Proceeds divided by 97% of the purchase price per Common Share pursuant to the Public Offering (but not to exceed C\$0.35 per Common Share). For purposes of calculating the foregoing, the aggregate proceeds from the Public Offering and purchase price expressed in Canadian dollars will be converted into US dollars based on the exchange rate as reported by Bloomberg using the "BGN" function as of 5:00pm New York time on the Business Day preceding the Closing Date.

employee or associate of the Company or any of its Affiliates.

- (rrr) **"Royalties"** means the royalties set out in Schedule 1.1(rrr).
- (sss) **"Sanctioned Entity"** means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, or (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country Sanctions program administered and enforced by:
  - (i) OFAC;
  - (ii) any Canadian Governmental Body;
  - (iii) the Member States of the European Union; or
  - (iv) the States of Jersey.
- (ttt) **"Sanctioned Person"** means, (a) any Person listed in any sanctions-related list of designated Persons maintained by any Canadian Governmental Body, (b) a Person named on the list of Specially Designated Nationals maintained by OFAC, (c) a Person named on the list of designated persons maintained by the Council of the European Union, (d) a Person named on the list of designated persons maintained by the each Member State of the European Union or (e) a Person named on the list of designated persons maintained by the Jersey Financial Services Commission.
- (uuu) **"Sanctions"** means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC, any Canadian Governmental Entity, or the Member States of the European Union or the States of Jersey.
- (vvv) **"Second Deposit Deadline"** has the meaning given to that term in the Stream Agreement.
- (www) **"Securities Laws"** means all applicable securities laws and the respective regulations made thereunder, together with applicable published fee schedules, prescribed forms, policy statements, notices, orders, blanket rulings and other regulatory instruments of the Securities Regulators, and all rules and policies of the TSX and any other stock exchange on which securities of the Company are traded.
- (xxx) **"Securities Regulators"** means, collectively, the securities regulators or other securities regulatory authorities in each of the provinces and territories of Canada in which the Company is a reporting issuer and in any other jurisdictions whose Securities Laws are applicable to the Company.
- (yyy) **"SEDAR"** means the System for Electronic Document Analysis and Retrieval of

the Canadian Securities Administrators.

- (zzz) **"Share Rights"** means any agreement, option, warrant, right or other security or conversion privilege issued or granted by the Company or any of its Affiliates that is exercisable or convertible into, or exchangeable for, or otherwise carries the rights of the holder to purchase or otherwise acquire Equity Securities, including pursuant to one or more multiple exercises, conversions and/or exchanges and including, for great certainty, convertible debt;
- (aaaa) **"Shareholder Approval"** means the approval of the shareholders of the Company under the rules of the TSX of the transactions contemplated hereby and the Concurrent Private Placement.
- (bbbb) **"Stream Agreement"** means the stream agreement dated November 30, 2015 between Orion Co IV (SO) Limited, Resource Capital Fund VI L.P., Geoteam CJSC and the Company, pursuant to which the Company shall sell to the Purchasers (as such term is defined therein) 6.75% of the gold and 100% of the silver produced from the Project, subject to the terms and conditions thereof.
- (cccc) **"Subscription Proceeds"** means ■<sup>3</sup>
- (dddd) **"Subsidiary"** means with respect to any Person, any other Person which is Controlled directly or indirectly by that Person.
- (eeee) **"Taxes"** means all present and future taxes (including, for certainty, real property taxes), levies, imposts, stamp taxes, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Body, including any interest, additions to tax or penalties applicable thereto.
- (ffff) **"Tax Returns"** means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes, including any schedule or attachment thereto or amendment thereof.
- (gggg) **"Technical Report"** means the technical report titled "NI 43-101 Technical Report, Amulsar Value Engineering and Optimization, Armenia", dated November 20, 2015 and effective November 6, 2015, and prepared for the Company by Samuel Engineering Inc.
- (hhhh) **"Third Party"** has the meaning set out in Section 5.3(d).
- (iiii) **"Third Party Claim"** has the meaning set out in Section 5.3(a).
- (jjjj) **"TSX"** means the Toronto Stock Exchange or any successor thereto.
- (kkkk) **"United States"** means the United States of America, its territories and

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<sup>3</sup> NTD: The Subscription Proceeds will equal \$24,250,000, in the case of Orion, and \$53,350,000, in the case of RCF.

possessions, any State of the United States and the District of Columbia.

**1.2        Certain Rules of Interpretation**

In this Agreement, unless otherwise specifically provided or unless the context otherwise requires:

- (a) the terms "Agreement", "this Agreement", "the Agreement", "hereto", "hereof", "herein", "hereby", "hereunder" and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;
- (b) references to a "clause", "Section" or "Article" followed by a number or letter refer to the specified clause, Section or Article of this Agreement;
- (c) the division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular shall include the plural and vice versa, and words importing gender shall include all genders;
- (e) the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation";
- (f) the terms "party" and "the parties" refer to a party or the parties to this Agreement, and references to a party in this Agreement mean such party or its successors or permitted assigns;
- (g) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement;
- (h) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending, supplementing, interpreting or replacing the statute or regulation referred to; and
- (i) whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a Business Day, the date on which such payment shall be made, action shall be taken or period shall expire shall be the next following Business Day.

**1.3        Currency**

All references in this Agreement to currency or to "\$", unless otherwise expressly indicated, shall be to United States dollars.

**1.4        Time of Essence**

Time shall be of the essence of this Agreement.

**1.5      Accounting Principles**

Any reference in this Agreement to generally accepted accounting principles refers to accounting principles which have been established as generally accepted in Canada for financial reporting, applied on a consistent basis, including those principles recommended from time to time in the CPA Canada Handbook or any successor body thereto and which are applicable in the circumstances as of the date in question. For greater certainty, such accounting principles which are applicable to the Company on the date hereof are IFRS. Accounting principles are applied on a "consistent basis" when the accounting principles applied in a current period are comparable in all material respects to those accounting principles applied in a preceding period.

**1.6      Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the "knowledge" of the Company or any of its Subsidiaries, it shall be deemed to refer to the actual knowledge of any of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Amulsar Project Lead or the Senior Vice President of Sustainability and Governance of each of the Company and Geoteam CJSC (or functional equivalent of each of the foregoing) and all information which ought to have been known by any of them after conducting a reasonable inquiry into the matters in question, whether or not any such inquiry was actually made.

**1.7      Jersey Terms**

In this Agreement, where it relates to a Jersey entity, a reference to:

- (a) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer includes the Viscount of the Royal Court of Jersey or Autorisés;
- (b) any analogous step or procedure being taken in connection with insolvency, includes: (i) any step taken in connection with the commencement of proceedings towards the making of a declaration of *en désastre* in respect of any assets of such entity (or the making of such a declaration); (ii) any procedure referred to in Article 125 of the Companies (Jersey) Law 1991; (iii) any procedure or process referred to in Part 21 of the Companies (Jersey) Law 1991; and (iv) any procedure or proceedings in relation to an entity becoming "bankrupt" within the meaning of Article 8 of the Interpretation (Jersey) Law 1954;
- (c) any insolvency, winding-up, administration or similar proceedings includes: (i) *désastre* and any proceedings in connection with *désastre*; (ii) any procedure or proceedings referred to in Article 125 of the Companies (Jersey) Law 1991; and (iii) an entity becoming "bankrupt" within the meaning of the Interpretation (Jersey) Law 1954; and



- (d) security or a security interest includes: (i) any *hypothèque* whether granted or arising by operation of law; and any security interest created pursuant to the Security Interests (Jersey) Law 2012.

**1.8 Schedules**

The following schedules are attached to and form an integral part of this Agreement:<sup>4</sup>

[Schedule A	-	Representation Letter] <sup>5</sup>
Schedule 1.1(q)		Construction Budget
Schedule 1.1(gg)		Exempted Securities
Schedule 1.1(tt)		Material Contracts
Schedule 1.1(uu)		Material Project Agreements
Schedule 1.1(vv)		Material Project Authorizations
Schedule 1.1(ggg)		Project Agreements
Schedule 1.1(kkk)		Project Real Property
Schedule 1.1(III)		Project Schedule
Schedule 1.1(ppp)		Other Real Property
Schedule 1.1(rrr)		Royalties
Schedule 3.1(e)		Solvency
Schedule 3.1(g)		Corporate Structure
Schedule 3.1(o)		Real Property
Schedule 3.1(aa)		Community Matters
Schedule 3.1(ee)(v)		Taxes

**ARTICLE 2**

**SUBSCRIPTION FOR PURCHASED SECURITIES**

**2.1 Subscription for Purchased Securities**

- (a) Subject to the terms and conditions of this Agreement, the Investor hereby subscribes for and agrees to purchase the Purchased Securities from the Company on the Closing Date, and the Company hereby accepts such subscription and agrees to issue the Purchased Securities and sell the Purchased Securities to the Investor on such date, for an aggregate subscription price equal to the Subscription Proceeds.
- (b) Subject to the satisfaction of the terms and conditions of this Agreement, at the Closing Time the Investor shall pay, or cause to be paid to the Company, in full satisfaction of the aggregate subscription price for the Purchased Securities, the Subscription Proceeds by wire transfer in immediately available funds to the

<sup>4</sup> NTD: For convenience, the disclosure schedules referred to below have not been attached to this form of agreement. The relevant schedules from the Stream Agreement will be attached to this agreement at the time of signing, with only such variations as have been disclosed to the Investor in writing and approved by the Investor.

<sup>5</sup> NTD: Only relevant for RCF subscription per notes below.

account specified by the Company in writing to the Investor.

**2.2      Use of Subscription Proceeds**

The Company shall use the Subscription Proceeds, the proceeds from the Concurrent Private Placement and the Concurrent Public Offering only for Project Costs incurred in accordance with the Mine Plan and Construction Budget.

**ARTICLE 3**  
**REPRESENTATIONS AND WARRANTIES**

**3.1      Representations and Warranties of the Company**

The Company, acknowledging that the Investor is entering into this Agreement in reliance thereon, hereby represents and warrants to the Investor as of the date hereof as follows:

- (a)      Organization and Powers. Each of the Company and its Subsidiaries: (i) has been duly incorporated or formed, as applicable, and is validly existing (if applicable) under the laws of its jurisdiction of existence or incorporation; (ii) has all requisite corporate power and authority or, if such entity is not a corporation, such other power and authority, to own and lease its property and assets and to carry on its business; (iii) has all requisite corporate power and authority or, if such entity is not a corporation, such other power and authority, to enter into this Agreement and to perform its obligations hereunder; and (iv) is duly qualified, licensed or registered to do business in each jurisdiction in which the nature of its business or the property or assets owned or leased by it make such qualification, licensing or registration necessary. No proceeding has been instituted or, to the Company's knowledge, threatened in any such jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification, licensing or registration. Each of the Company and its Subsidiaries is up-to-date in all its corporate filings and is (if applicable) in good standing under Applicable Laws.
- (b)      Authorization; No Conflict. The execution and delivery by the Company of this Agreement, and the performance by it of its obligations hereunder, have been duly authorized by all necessary corporate or other action on its part and do not and will not: (i) contravene any provision of its constituting documents or any resolution of its shareholders, partners or directors (or any committee thereof); (ii) conflict with, result in a breach of, or constitute a default or an event creating rights of acceleration, termination, modification or cancellation or a loss of rights under (with or without the giving notice or lapse of time or both), any Material Contract to which the Company or any of its Subsidiaries is a party, subject or otherwise bound (including any of its property or assets); (iii) violate any Applicable Law; or (iv) result in, or require, the creation or imposition of any Encumbrance on any property or assets of the Company or any of its Subsidiaries.
- (c)      Execution; Binding Obligation. This Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of

the Company, enforceable against the Company in accordance with its terms, except to the extent enforcement may be affected by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Applicable Laws affecting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction.

- (d) Consents. Neither the Company nor any of its Subsidiaries is required to give any notice to, make any filing with or obtain any Authorization, Order or other consent or approval of any Person in connection with the execution or delivery of or performance of its obligations under this Agreement or the consummation of the transactions contemplated herein other than:
  - (i) in connection with the Public Offering;
  - (ii) the TSX's acceptance of the transactions contemplated herein, and the filings required to be made prior to or following Closing, under the rules of the TSX;
  - (iii) Shareholder Approval;
  - (iv) any other Jersey regulatory consents pursuant to the Public Offering and the issue of Common Share purchase warrants;
  - (v) the filing by the Company of a Form 45-106F1 - *Report of Exempt Distribution* with the Ontario Securities Commission within 10 days following the Closing Date;
  - (vi) notice to IFC pursuant to the IFC Agreements; and
  - (vii) notice to EBRD pursuant to the EBRD Subscription Agreement.
- (e) Solvency. Neither the Company nor any of its Subsidiaries is insolvent within the meaning of Applicable Law, other than as set forth in Schedule 3.1(e).
- (f) Authorized and Issued Capital. The Company's memorandum of association authorizes it to issue an unlimited number of Common Shares. [■] Common Shares have been validly issued and are outstanding as of the date hereof. All of the issued and outstanding Common Shares are fully paid and non-assessable and have been duly authorized and issued, in compliance with Applicable Laws and not in violation of or subject to any pre-emptive or similar right that entitles any Person to acquire from the Company any Common Shares or other securities of the Company or any of its Subsidiaries. The rights, privileges, restrictions and conditions attached to the Common Shares are as set out in the memorandum of association of the Company most recently filed on SEDAR.
- (g) Subsidiaries; Other Joint Ventures. Schedule 3.1(g) sets forth the true and complete list of all Subsidiaries of the Company, including the type and number of issued and outstanding shares or other equity interest of each such Subsidiary

and the Person in whose name such shares or equity interests are registered. Neither the Company nor any Subsidiary of the Company is engaged in any joint purchasing agreement, joint venture, partnership or other joint enterprise with any other Person. No Person has a direct or indirect ownership interest in any (i) Subsidiary of the Company except as set out in Schedule 3.1(g), or (ii) the Project Property or is otherwise involved in any manner in the operation of the Project, other than the Company and the Subsidiaries of the Company.

- (h) Acquisition and Repurchase Rights. No Person (other than the Company or one of its Subsidiaries) has any option, warrant, right (pre-emptive, contractual or otherwise) or other security or conversion privilege issued or granted by the Company or any of its Subsidiaries of any kind that is exercisable or convertible into, or exchangeable for, or otherwise carries the right of the holder to purchase or otherwise acquire (whether or not subject to conditions) Common Shares or other securities of the Company or any of its Subsidiaries, including pursuant to one or more multiple exercises, conversions and/or exchanges or other securities or rights (pre-emptive, contractual or otherwise), other than: (i) options and warrants outstanding as of the date hereof to purchase an aggregate of [■] Common Shares and (ii) pursuant to the IFC Agreements and EBRD Agreement. No Person has any right to require the Company or any of its Subsidiaries to purchase, redeem or otherwise acquire any of its issued and outstanding Common Shares or other securities of the Company or any of its Subsidiary. No shareholder or other Person has any pre-emptive right or right of first refusal in respect of the allotment and issuance of any unissued Common Shares or other securities of the Company or any of its Subsidiaries except pursuant to the IFC Agreements and the ERCB Agreement.
- (i) Voting and Registration Rights. The Company is not a party or subject to any agreement or understanding, and to the knowledge of the Company there is no agreement between any securityholders of the Company, that affects or relates to the voting or giving of written consents with respect to, any of the Company's securities. The Company has not granted any registration rights or similar rights with respect to its securities to any Person.
- (j) Transfer Agent. Computershare Investor Services Inc., at its offices in the city of Toronto, is the duly appointed registrar and transfer agent of the Company with respect to the Common Shares.
- (k) Listing of Common Shares. The Common Shares are listed and posted for trading on the TSX and no order ceasing or suspending trading in any securities of the Company or prohibiting the sale or issuance of the Purchased Securities or the trading of any of the Company's issued securities has been issued and no (formal or informal) proceedings for such purpose are pending or, to the knowledge of the Company, have been threatened. The Company has not taken any action which would reasonably be expected to result in the delisting or suspension of the Common Shares on or from the TSX and the Company is currently in compliance in all material respects with the rules and regulations of the TSX.