

	information provided and variable facts to be confirmed in order to finalize; email from L. Pillon as to same and email to M. MacKenzie;		
	Review email from counsel to RCF with respect to forecast indicating long term cash needs; review response from Monitor with respect to same;	0.10	RB
Jan-26-20	Emails from and to M. MacKenzie and to E. Pillon with more detailed list of facts to be determined by the Applicants in order to finalize different scenarios for alternative cash flow forecasts;	0.20	DJM
Jan-27-20	Meeting with M. MacKenzie and discussion regarding various aspects and outstanding issues, financial information being gathered by the Applicants for the Lenders, status of BMO engagement and next steps; emails from E. Pillon and M. MacKenzie as to aspects of the financial modelling undertaken at the request of the lenders; receive and review letter and Notice from counsel to CAT requesting documents and cross-examination; schedule meeting with the Applicants and counsel for tomorrow to discuss and review all aspects; review information requests from Orion's counsel; emails to M. MacKenzie and L. Pillon as to same; further emails as to material in advance of tomorrow's meeting;	2.10	DJM
	Review and consider emails with respect to long term cash flow forecast and cash needs and meeting to discuss same; review letter with respect to request to cross examine E. Sellers; review emails with respect to request for information from lenders and meeting with Stikeman to discuss cash flow;	0.80	RB
Jan-28-20	Review email exchanges with Lender's counsel as to information requested; discussion with M. MacKenzie as to presentation of financial information for consideration at meeting; attend at Stikemans for meeting with Applicants and counsel and M. MacKenzie; discuss various issues; email to counsel for certain Lenders as to any progress in considering or discussing BMO arrangements or future role; emails as to finalizing form of Initial Order and obtaining same from Justice Morawetz; email from E. Pillon as to D&O issues and their discussions with insurers; receive and review various update emails from E. Sellers as to his discussions with various parties; emails from Applicants' counsel as to status of Jersey recognition proceedings and revisions required to materials to be filed; emails from counsel to certain Lenders; email to E. Sellers as to aspects under consideration;	3.40	DJM
	Attend meeting with applicants and Monitor to discuss cash flow; review email with respect to lender position on BMO engagement and fees; review email with respect to status of term sheet; review update on status of Jersey recognition materials; review draft email from Monitor to Justice Morawetz; review emails to lenders;	2.70	RB
Jan-29-20	Emails from and to E. Pillon as to call to be scheduled [REDACTED], finalizing Amended & Restated Initial Order to be delivered to Justice Morawetz; emails to and from Applicants' counsel as to amended Order; emails and calls with M. MacKenzie as to corporate structure	1.50	DJM

and governance issues under discussion; emails as to timing of next cash flow forecast showing various scenarios;

	Review emails [REDACTED], emails with respect to revised affidavits and materials for Jersey recognition;	0.50	RB
Jan-30-20	Review all information received to date [REDACTED]; various emails as to Lenders' discussions with BMO and any resolution of the BMO Engagement Letter; emails to and from Stikemans as to finalizing Order with Justice Morawetz; emails to and from M MacKenzie as to call to be arranged with Stikemans to discuss corporate governance issues; consider organizational chart and potential issues as to jurisdictional challenges and potential considerations by Applicants; receive and review email with update to Board from E. Sellers; discussion with Stikemans as to summary memo being prepared as to chronology and key events leading to current position; conference call with Stikemans as to status of various items and corporate governance issues to be considered, Lenders call to be scheduled; emails as to same; review emails as to status of term sheet; emails as to finalizing E. Sellers Affidavit and Representation and A. Hutchens Affidavit for Jersey recognition proceeding; coordinate same with R. Bengino; discussion with R. Bengino as to various aspects and issues to consider for tomorrow's call;	2.70	DJM
	Review draft affidavit and representation and send email to S. Sopic with respect to same; review revised Amended and Restated Initial Order and email same to Monitor; review emails between company and lenders with respect to BMO fees and scope of work; attend conference call with Monitor and Applicant to discuss options and next steps;	1.90	RB
Jan-31-20	Emails from E. Sellers and to and from M. MacKenzie as to [REDACTED]; telephone call with M. MacKenzie and discussion as to scope of appointment under Initial Order and related aspects; receive and review issued form of Amended & Restated Initial Order; emails as to final form of documents to be filed for Jersey recognition proceeding; emails from and to M. MacKenzie and E. Pillon as to timing and status of cash flow forecast in the scenarios requested by lenders; email from E. Pillon to CAT and from G. Hall to L. Pillon as to response to request for information and documentation and timing for cross-examination of E. Sellers; email to M. MacKenzie as to term sheet; conference call with counsel for 3 Lenders, the Monitor and the Applicants and discussion as to update on various aspects, potential resolution of BMO Engagement Letter, information requests and timing for decisions to be made; discussion with M. MacKenzie and R. Bengino as to issues arising from Lender call;	1.80	DJM
	Attend at Alvarez & Marsal's offices for A. Hutchens to swear affidavit; review updates from E. Sellers; emails with respect to final sworn affidavit; attend conference call with monitor and counsel to	1.80	RB

applicant and lenders; emails with respect to issued Amended and Restated Initial Order;

And to all other necessary telephone communications, attendances and correspondence with respect to the conduct of this matter.

<u>Lawyer</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
D. J. Miller	73.80	\$1,000.00	\$73,800.00
Rachel Bengino	45.40	\$600.00	\$27,240.00
Roxana Manea (Law Clerk)	2.30	\$300.00	\$690.00
Total Fees			\$101,730.00
HST (@ 13%) on Fees			<u>\$13,224.90</u>
Total Fees and HST			\$114,954.90
<u>DISBURSEMENTS</u>			
Photocopies			\$196.50
Photocopies - Colour			\$22.20
Binding			\$6.82
Conference Calls			<u>\$22.62</u>
Total Taxable Disbursements			\$248.14
HST (@ 13%) on Taxable Disbursements			\$32.26
Total *Non-Taxable Disbursements			<u>\$0.00</u>
Total Disbursements and HST			<u>\$280.40</u>
TOTAL NOW DUE			<u>\$115,235.30</u>
THORNTON GROUT FINNIGAN LLP			


Per: Rachel Bengino

E. & O.E.
 GST/HST #87042 1039 RT0001 * GST/HST Exempt

Terms: Payment due upon receipt. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with Section 33 of The Solicitor's Act, interest will be charged at the rate of 4.00% per annum on unpaid fees, charges or disbursements calculated from a date that is one month after this Statement is delivered.



Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

Toronto-Dominion Centre
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T 416.304.1616 F 416.304.1313

Alvarez & Marsal Canada Inc
Royal Bank Plaza, South Tower
200 Bay St., Suite 2900
Toronto, ON M5J 2J1

March 3, 2020

Attention: Al Hutchens
Melanie MacKenzie

Invoice No. 34592

File No. 1807-002

RE: Lydian International Limited

TO ALL PROFESSIONAL SERVICES RENDERED HEREIN INCLUDING THE FOLLOWING
for the period ending: February 29, 2020

FEES

Feb-03-20	Email from E. Sellers with update provided to the lenders; emails from and to Applicants' counsel as to call to be arranged to discuss [REDACTED]; consider status of discussions on any transaction; consider timing for cash flow forecast;	0.50	DJM
	Review update from E. Sellers to lenders; emails with respect to scheduling meeting with applicants this week;	0.40	RB
Feb-04-20	Emails from and to Applicants' counsel as to amendments to documents required for Jersey proceeding; discussion with R. Bengino as to same; consider timing for finalizing cash flow forecast updates;	0.60	DJM
	Emails with respect to notice to creditors to comply with Jersey laws;	0.20	RB
Feb-05-20	Emails from and to Applicants' counsel as to information from UK counsel; consider similar cases and discussion with R. Bengino as to same; email from R. Bengino with results of some research; review memo from Applicants' counsel as to issues to be considered; conference call with M. MacKenzie and Applicants' counsel as to governance and structural issues for the period from and after March 2; consider these points; review Orders in another proceeding for consideration as to one aspect; emails from CAT's counsel as to information requested and timing for cross-exam of E. Sellers;	1.90	DJM
	Review email from S. Sopic with respect to service of Jersey materials on Monitor; review and consider email with respect to [REDACTED]; review memorandum with respect to same; research this issue; emails to D.J. Miller	2.20	RB

with respect to same;

Feb-06-20	Emails from and to Applicants' counsel as to information they have obtained from local counsel and intention to seek relief at March 2 stay extension motion; receive and briefly review timeline document and draft chart as to governance considerations from Applicants' counsel; emails to and from Applicants' counsel as to meetings at their office on Tuesday;	1.10	DJM
	Review email with respect to [REDACTED] and seeking relief on March 2 motion; emails with respect to meetings on Tuesday with lenders;	0.30	RB
Feb-09-20	Briefly review draft timeline and chart as to corporate governance issues and consider same;	0.50	DJM
Feb-10-20	Emails from and to L. Pillon and M. MacKenzie as to corporate governance chart, meeting with Lenders tomorrow; call from M. MacKenzie and discussion as to updates she has received from Applicants' counsel and E. Sellers, status of discussions and positions of Lenders; receive and review extensive materials circulated to Lenders in preparation for meeting tomorrow; review annual cost analysis prepared by Monitor;	1.60	DJM
	Review timeline and chart of potential options; emails with respect to cash flow; review estimated annual cash flow;	1.00	RB
Feb-11-20	Meeting with M. MacKenzie and discussion regarding BMO slide deck, cash flow forecast provided to lenders, timeline and governance documents prepared by Applicants' counsel; prepare for pre-meeting with E. Sellers and the Applicants' counsel, in advance of meeting with lenders; meeting with Monitor, BMO, E. Sellers and Applicants' counsel; lengthy meeting and conference call with Monitor, BMO, E. Sellers, Applicants' counsel and 3 lenders and counsel and discuss all information provided by BMO and the Applicants; further brief discussion as to relief to be sought on March 2, issues as to potential [REDACTED], position that may be taken by Orion;	6.50	DJM
	Emails with respect to pre-meeting with Monitor today; review presentation in preparation for meeting; meeting with M. Mackenzie; attend pre-lender meeting at Stikemans with Monitor and BMO to discuss structural alternatives and strategic options; attend meeting at Stikemans with lenders, Monitor and BMO to discuss path forward, strategic options and cash needs; follow up meeting with Stikeman and E. Sellers; review email from S. Sopic with respect to Jersey recognition notice and review draft notice; email to monitor with respect to same;	6.80	RB
Feb-12-20	Email from E. Sellers following meeting with lenders yesterday; emails to and from M. MacKenzie as to same; call to counsel for each of the 3 lenders as a follow up to meeting yesterday; detailed discussion and exchange of emails with D. Bish as to his client's position on various aspects; telephone discussion with P. Huff as to her client's current thinking and potential view of next steps; exchange of messages with V. Gauthier; telephone call with M. MacKenzie and R. Bengino and discussion as to results of calls with	3.30	DJM

counsel for Orion and RCF; emails to Stikemans as to scheduling call to discuss results of calls with Orion and RCF; receive and review detailed email from E. Pillon as to status of discussions with parties following lender meeting;

	Emails with respect to notice list for Jersey recognition motion; voice message from counsel to lender; review emails from D. Bish to D.J. Miller with respect to position of Orion; conference call with D.J. Miller and M. Mackenzie to discuss lenders' positions;	1.20	RB
Feb-13-20	Emails to and from Stikemans as to status of revised Term Sheet being prepared by BMO; email from E. Sellers as to his intention to travel to Armenia shortly; receive and review revised Term Sheet from Stikemans, as prepared by BMO;	0.90	DJM
	Emails with respect to Jersey notices;	0.20	RB
Feb-14-20	Emails from Applicants' counsel as to any discussions with CAT/ING and next steps in dealing with equipment lessors' concerns; email from M. Caiger as to same; emails to and from M. MacKenzie as to reporting on various discussions and considering any consensual path forward; email to Applicants' counsel as to telephone call with Orion's counsel and issues of concern they have raised and preferred path forward; email from M. MacKenzie as to contact from counsel to other party; email from E. Sellers as to likely corporate changes to be effected on Tuesday; emails amongst the Applicants' counsel, BMO and the Monitor as to call to be scheduled to discuss next steps in preparation for March 2 motion; email from E. Pillon as to requirement to prepare for cross-examinations if no resolution with CAT/ING or consensual framework; email from E. Sellers as to water permits and request by Osisko and discussions with RCF; telephone call with M. MacKenzie and R. Bengino and discuss various aspects of the [REDACTED] term sheet and comments on same to be provided to Applicants' counsel; review draft email outlining comments on draft Term Sheet;	1.60	DJM
	Review emails with respect to Orion's position; Review and consider [REDACTED] term sheet; email with respect to Jersey notice to creditors; conference call with Monitor to discuss draft Term sheet; prepare email to Stikeman outlining comments on same; review email to Stikeman outlining lender's position;	1.70	RB
Feb-15-20	Email from Applicants' counsel as to [REDACTED] and related issues;	0.10	DJM
Feb-16-20	Email from M. MacKenzie providing information and emails sent by E. Sellers as to water permits and other matters; emails to and from M. MacKenzie as to same;	0.30	DJM
Feb-18-20	Conference call with Applicants' counsel, BMO, Monitor and E. Sellers as to status of various work streams, funding requirements and period for which it is required, governance issues, status of discussions with lenders as to Term Sheet and timing for comments on same; discuss potential	2.10	DJM

framework [REDACTED]

[REDACTED]; further discussion with M. MacKenzie as to issues discussed on call and anticipated relief to be sought on March 2; email from L. Pillon as to discussions between certain lenders and equipment lessors; email from E. Sellers as to equipment lessors input to Term Sheet or any transaction;

	Emails with respect to providing original sworn affidavit to Jersey counsel; conference call with Applicants' counsel to discuss next steps and upcoming stay extension motion;	1.80	RB
Feb-19-20	Email from E. Sellers as to water permits; emails from and to Applicants' counsel as to call to be scheduled with lenders on Friday; receive and review Supplemental Motion Record served by CAT; emails from various lender's counsel as to call on Friday; discussion with R. Bengino as to position of CAT and ING; receive and review press release;	0.90	DJM
	Emails with respect to scheduling call with lenders; review press release with respect to water permit; review and summarize CAT supplementary motion record and send same to D.J. Miller;	1.20	RB
Feb-20-20	Various emails from the Monitor as to call with counsel for party holding pledge of shares of Armenian company; emails as to requests for information from [REDACTED] auditors and appropriate response to same; consider arrangements involving [REDACTED]; discussion with R. Bengino as to two further affidavits to be posted on Monitor's website as to Jersey recognition; receive Notice of Appearance from ING; telephone call with M. MacKenzie;	0.90	DJM
	Emails with respect to Jersey motion record and send same to Monitor for posting on the website; review and consider request to assist with lender's audit and email to D.J. Miller with respect to same; review emails with respect to subordinated lender; emails with respect to revising service list;	0.60	RB
Feb-21-20	Emails to and from M. MacKenzie; conference call with the Monitor and Applicants' counsel in advance of lender call; emails as to Jersey recognition materials; conference call with counsel for 3 Lenders, Applicants' counsel and the Monitor; consider next steps in dealing with CAT motion, consider funding requirements of the Applicants and the Lenders' position on same to [REDACTED]; conference call with the Monitor and counsel to holder of pledge of shares in Armenia company as to status of proceeding and intended next steps; receive and review letter from such counsel; discussion with R. Bengino as to Monitor's Report for next court attendance and issues to be addressed; emails from and to L. Pillon and the Court as to potential availability for March 5 attendance and short extension to be obtained to accommodate new date; emails from and to the Monitor as to status of BMO engagement letter;	2.50	DJM
	Instructions to M. Magni with respect to service list; call with M. Mackenzie to discuss status of cash flow and various issues; instructions to M. Magni with respect to preparation of fee affidavit; discussions with M. Magni with	2.30	RB

respect to fee affidavit; call with M. MacKenzie to discuss posting of Jersey Recognition materials on case website; attend call with Stikeman to prepare for lender update call this afternoon; attend lender update call; review letter from counsel to [REDACTED];

Feb-23-20	Email from M. MacKenzie to Applicants' counsel as to call with counsel for Maverick on Friday; email from L. Pillon to lenders' counsel [REDACTED] [REDACTED]; emails from and to M. MacKenzie as to framework for Monitor's Report;	0.70	DJM
	Review draft table of contents for monitor's report and emails with respect to same;	0.20	RB
Feb-24-20	Emails from and to the Monitor and telephone discussion as to Monitor's Report to be filed, issues to be resolved and status of discussions and updates amongst the parties; emails from Orion as to request for call with the Monitor; conference call with Orion as to its issues of concern and proposed path forward; telephone call with the Monitor as to same, and discuss all aspects of proposed governance changes; emails from the Applicants' counsel as to attempts to obtain commitment from lenders as to resolution of CAT motion and timeframe for [REDACTED]; discussion with R. Bengino as to review of documentation relating to pledge of shares of Lydian Armenia;	2.30	DJM
	Email amended Service List to Monitor for posting; Review email outlining options with respect to corporate governance and consideration of same; discuss same with D.J. Miller and email to Stikeman with respect to same; attend conference call with Orion to discuss governance issues; follow up call with Monitor; emails with respect to scheduling call with D. Bish;	2.10	RB
Feb-25-20	Emails from and to counsel for Orion and the Applicants as to any resolution to CAT motion; emails to and from D. Bish and conference call with D Bish and the Monitor as to Orion's requested changes to corporate governance, requirements for funding and parameters; email from E. Sellers with update on various operational aspects; emails from and to L. Pillon as to Court dates of March 2 and March 5 and communications with the Court regarding same; discussion with the Monitor as to proposed terms [REDACTED] [REDACTED]; discussion with R. Bengino as to review of Newmount subordination agreement and terms of same; emails from and to D. Bish as to interim funding and terms of same; emails to the Applicants' counsel to schedule call to discuss position taken by Orion and preparing for March 2 motion and thereafter; discussion with M. MacKenzie as to request by Orion for further call with business people;	2.30	DJM
	Circulate dial in for call with D. Bish; Attend conference call with D. Bish to discuss Orion's position with respect to governance structure; follow up call with M. Mackenzie with respect to same; review Newmount Subordination Agreement; review email from D. Bish to Applicants setting forth Orion's position and consider same; email to D.J. Miller with respect to same; review draft fee affidavit; emails with respect to DIP financing; emails with	2.10	RB

Stikeman to schedule call tomorrow;

Feb-26-20	Emails from and to the Court as to two attendances; receive and review draft notice of motion and Order for brief 3 day extension; conference call with the Monitor and Applicants' counsel to discuss results of calls with Orion and its counsel, requested changes to corporate governance and status of discussions with all parties as to CAT motion, interim funding, and relief to be sought on next motion; further discussions with Applicants' counsel as to all of these issues in advancing same throughout the day; meeting with E. Sellers, Monitor and Applicants' counsel to discuss [REDACTED]; [REDACTED]; receive and review email update from E. Sellers on governance and D&O status; emails to and from D. Bish as to Term Sheet for proposed DIP; review emails from Applicants' counsel to the Service List; discussions with L. Pillon as to advancing discussions with lenders and preparation of materials; review language suggested by L. Pillon for resolution of CAT motion; email from counsel for each of the lenders as to support for terms of resolution for CAT motion; review email to ING's counsel as to their position on any motion; review draft Monitor's Report for 3 day stay extension and discuss with R. Bengino;	4.70	DJM
	Review emails to counsel to lender with respect to DIP term sheet; review emails with respect to stay extension motion on March 5, 2020; review draft order and notice of motion with respect to same; email to D.J. Miller with respect to same; review email from S. Sopic to service list and emails with respect to same; attend meeting with Applicants counsel to discuss [REDACTED]; [REDACTED]; prepare monitor's report in connection with upcoming stay extension motion requesting a 3-day extension; emails with respect to same and cash flow forecast;	4.60	RB
Feb-27-20	Review and finalize Monitor's Second Report to Court for 3 day extension; Emails from and to the Court as to attendance with Chief Justice Morawetz; conference call with lenders and counsel, and Applicants' counsel and Monitor; emails to and from Orion's counsel requesting form of Term Sheet; emails from and to M. MacKenzie as to request by Orion for back up to cash flow forecast; follow up call with M. MacKenzie as to results of call with lenders and counsel and next steps; emails to and from D. Bish as to comments made as to governance; further emails to L. Pillon and M. MacKenzie as to governance views of Orion and various emails addressing same; review and consider DIP Term sheet and consider quantum of DIP proposed by Orion; review emails between E. Sellers and D. Bish as to cash flows;	2.80	DJM
	Review and revise draft Second Monitor's Report and send same to Monitor for review; discuss matter with D.J. Miller; call and leave message to S. Sopic with respect to draft Notice of Motion; email with respect to same; attend conference call with lenders to discuss DIP financing, governance changes, and next steps; review revised draft report and email same to applicants for review; review email correspondence with counsel to Orion;	2.80	RB
Feb-28-20	Receive and review communications from Armenian citizens and consider	2.50	DJM

same; various emails as to cash flow forecast for 3 day extension and revisions to Monitor's Report; discussion with R. Bengino as to Monitor's Report; coordinate service of same with timing of service of Applicants' Motion Record; review and prepare for Court attendance on Monday; emails to and from the Court; various emails from Applicants' counsel and lenders as to call to discuss issues of concern; emails as to results of calls among lenders and E. Sellers; receive and review DIP Term Sheet from Orion and consider terms of same; discussion with R. Bengino as to issues of concern; receive and review various emails from E. Sellers with information and documents provided to Board and to the lenders; emails as to resolution with CAT;

Review letter from Armenian citizens to Court; emails with respect to same; review and finalize draft report; emails with respect to same; review email and attachments from E. Sellers to board of directors providing updates on various items; finalize and serve Monitor's Report; swear Affidavit of Service; review and consider draft DIP term sheet provided by Orion; draft and send comments on same to Monitor for review; review emails from L. Pillion with respect to update from call amongst lenders; email with respect to term sheet; 3.10 RB

File Monitor's Report; 0.70 DH

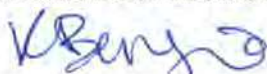
Feb-29-20 Emails from and to the Stikemans team as to Orion draft DIP term sheet; email to the lenders' counsel as to availability to discuss DIP term sheet over the weekend and timing for materials in advance of March 5 attendance; review and mark up draft DIP Term Sheet, draft Monitor's Third Report; review and consider draft motion materials provided by Applicants' counsel; discussions with M. MacKenzie and R. Bengino as to drafts of all materials and timing on advancing same; consider various aspects of the proposed DIP term sheet; provide mark-up of all draft materials to Stikemans with our comments on same; emails to and from M. MacKenzie and R. Bengino as to information for Third Report to Court; 2.30 DJM

Review Sellers engagement letters and emails with respect to same; revise draft DIP term sheet to incorporate comments and emails with respect to same; review and revise draft stay extension affidavits prepared by the applicants; send comments on same to D.J. Miller for review; further review and revise draft term sheet and incorporate comments from monitor; send same to applicants for consideration; send comments on draft affidavit to monitor for consideration; review emails with respect to motion materials and cash flow; further revise applicant materials and send comments on same; emails with respect to drafting Monitor's third report; 3.30 RB

And to all other necessary telephone communications, attendances and correspondence with respect to the conduct of this matter.

<u>Lawyer</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
D. J. Miller	42.90	\$1,000.00	\$42,900.00
Rachel Bengino	38.10	\$600.00	\$22,860.00
Derek Harland (Student)	0.70	\$325.00	\$227.50
Total Fees			\$65,987.50
HST (@ 13%) on Fees			<u>\$8,578.38</u>
Total Fees and HST			\$74,565.88
<u>DISBURSEMENTS</u>			
Couriers			\$80.62
Photocopies			\$3.25
Photocopies - Colour			\$29.70
Conference Calls			<u>\$62.93</u>
Total Taxable Disbursements			\$176.50
HST (@ 13%) on Taxable Disbursements			\$22.95
Total *Non-Taxable Disbursements			<u>\$0.00</u>
Total Disbursements and HST			<u>\$199.45</u>
TOTAL NOW DUE			<u>\$74,765.33</u>

THORNTON GROUT FINNIGAN LLP


Per: Rachel Bengino

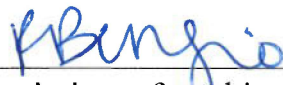
E. & O.E.
 GST/HST #87042 1039 RT0001 * GST/HST Exempt

Terms: Payment due upon receipt. Any disbursements not posted to your account on the date of this statement will be billed later. In accordance with Section 33 of The Solicitor's Act, interest will be charged at the rate of 4.00% per annum on unpaid fees, charges or disbursements calculated from a date that is one month after this Statement is delivered.

CONFIDENTIAL EXHIBIT “1”
UNDER SEAL

EXHIBIT “B”

This is Exhibit "B" referred to in the
Affidavit of D.J. Miller sworn before me
this 9th day of March, 2020.

A handwritten signature in blue ink, appearing to read "P. Benizio", is written over a horizontal line.

A Commissioner for taking affidavits

EXHIBIT "B"

**Calculation of Average Hourly Billing Rates of
Thornton Grout Finnigan LLP
for the period December 18, 2019 to February 29, 2020**

Invoice No.	Fees	Disbursements	HST	Hours	Average Rate	Total
34366	\$15,060.00	\$18.55	\$1,960.21	16.40	\$951.22	\$17,038.76
34474	\$101,730.00	\$248.14	\$13,257.16	121.50	\$838.28	\$115,235.30
34592	\$65,987.50	\$176.50	\$8,601.33	81.70	\$807.70	\$74,765.33
TOTALS:	\$182,777.50	\$443.19	\$23,818.70	219.60	\$865.73	<u>\$207,039.39</u>

EXHIBIT “C”

This is Exhibit "C" referred to in the
Affidavit of D.J. Miller sworn before me
this 9th day of March, 2020.

A handwritten signature in blue ink, appearing to read "R. Bengio", is written over a horizontal line.

A Commissioner for taking affidavits

EXHIBIT “C”

Billing Rates of Thornton Grout Finnigan LLP

For the period December 18, 2019 to December 31, 2019

	<u>Rate</u>	<u>Year of Call</u>
D.J. Miller	\$950	1993
Rachel A. Bengino	\$550	2015

For the period January 1, 2020 to February 29, 2020

	<u>Rate</u>	<u>Year of Call</u>
D.J. Miller	\$1,000	1993
Rachel Bengino	\$600	2015
Derek Harland	\$325	Student
Roxana Manea	\$300	Law Clerk

Court File No.: CV-19-00633392-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

AFFIDAVIT OF D.J. MILLER

THORNTON GROUT FINNIGAN LLP
Barristers & Solicitors
Toronto Dominion Centre
100 Wellington Street W., Suite 3200
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Rachel Bengino LSO#68348V
rbengino@tgf.ca

Tel: 416.304.1616
Fax: 416.304.1313

Lawyers for the Monitor

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LYDIAN
INTERNATIONAL LIMITED, LYDIAN CANADA VENTURES CORPORATION, AND LYDIAN U.K.
CORPORATION LIMITED**

Court File No.:
CV-19-00633392-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

**MONITOR'S
THIRD REPORT**

THORNTON GROUT FINNIGAN LLP
Barristers & Solicitors
Toronto Dominion Centre
100 Wellington Street W., Suite 3200
Toronto, Canada M5K 1K7

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Fax: 416.304.1313

Lawyers for the Monitor

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF
COMPROMISE OR ARRANGEMENT OF
LYDIAN INTERNATIONAL LIMITED, LYDIAN CANADA VENTURES
CORPORATION, AND LYDIAN U.K. CORPORATION LIMITED**

Applicants

**FOURTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

APRIL 27, 2020

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1.0 INTRODUCTION AND STATUS OF CCAA PROCEEDINGS

1.1 On December 23, 2019, Lydian International Limited (“**Lydian International**”), Lydian Canada Ventures Corporation (“**Lydian Canada**”) and Lydian U.K. Corporation Limited (“**Lydian U.K.**”) (collectively, the “**Applicants**”) applied for and were granted protection by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an order of the Court dated December 23, 2019 (the “**Initial Order**”), Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed Monitor (in such capacity, the “**Monitor**”) of the Applicants in the CCAA proceedings (the “**CCAA Proceedings**”). Any capitalized terms not otherwise defined herein have the meanings attributed to them in the Initial Order.

1.2 The Initial Order, among other things:

- a) granted a stay of proceedings until January 2, 2020 (the “**Stay Period**”) as against the Applicants;
- b) provided that during the Stay Period, no proceedings could be commenced or continued against or in respect of Lydian Armenia CJSC (“**Lydian Armenia**”), Lydian International Holdings Limited, Lydian Resources Armenia Limited and Lydian U.S. Corporation (“**Lydian U.S.**”) (collectively, the “**Non-Applicant Stay Parties**”);
- c) granted a first ranking charge (the “**Administration Charge**”) for the benefit of the Monitor, its counsel, and the Applicants’ counsel in the amount of CAD\$460,740 (being US\$350,000 as per the Bank of Canada’s published

exchange rate on December 20, 2019) as security for their professional fees and disbursements;

- d) granted a second ranking charge (the “**Directors Charge**”) for the benefit of the Applicants’ directors and officers in an amount not to exceed CAD\$263,280 (being US\$200,000 as per the Bank of Canada’s published exchange rate on December 20, 2019) as security for the indemnity of the Applicants in favour of the directors and officers for any obligations or liabilities incurred after the commencement of the CCAA Proceedings, subject to the exceptions set out in the Initial Order; and
 - e) authorized the Applicants to continue negotiations with stakeholders in an effort to pursue restructuring options, including refinancing the Business or Property, subject to approval of the Court prior to any material refinancing.
- 1.3 On January 2, 2020, the Court issued an order extending the Stay Period in favour of the Applicants and the Non-Applicant Stay Parties to January 23, 2020.
- 1.4 The Monitor’s First Report to the Court, dated January 21, 2020 (the “**First Report**”) was filed in support of the Applicants’ motion returnable on January 23, 2020 (the “**Comeback Motion**”) at which motion the Court issued an order extending the Stay Period to March 2, 2020.
- 1.5 At the Comeback Motion, the Court also issued an order (the “**Amended and Restated Initial Order**”) amending the Initial Order to expand the Applicants’ restructuring capabilities within the CCAA Proceedings and to expand the Monitor’s authority within

the CCAA Proceedings, including its interactions with the Non-Applicant Stay Parties in specified circumstances.

- 1.6 In connection with the Applicants' motion returnable on March 2, 2020, the Monitor filed its second report to the Court dated February 28, 2020, to provide the Court with information regarding the Applicants' request for a brief 3-day extension to the Stay Period from March 2 to 5, 2020. As a result of, among other things, the Court's availability to hear the motion to extend the Stay Period, on March 2, 2020, the Court issued an order to extend the Stay Period to March 11, 2020.
- 1.7 The Monitor's Third Report to the Court dated March 10, 2020 (the "**Third Report**") was filed in support of the Applicants' motion returnable on March 11, 2020 for an order (the "**DIP Approval Order**"), among other things:
 - a) extending the Stay Period in respect of the Applicants and the Non-Applicant Stay Parties to April 30, 2020;
 - b) increasing the Administration Charge to CAD\$658,200 (being US\$500,000 as per the Bank of Canada's published exchange rate on December 20, 2019) as security for the professional fees and disbursements of the Applicants' counsel, the Monitor and its counsel, and BMO Capital Markets ("**BMO**"), the Applicants' financial advisor, in respect of the monthly fee provided for in its engagement letter with the Applicants and Lydian Armenian dated February 21, 2020 (the "**BMO Engagement Letter**");

- c) adding a Transaction Charge in favour of BMO to secure the Recapitalization Fee provided for in the BMO Engagement Letter;
- d) approving the Applicants' ability to enter into the Sixteenth Amending Agreement (the "**DIP Agreement**") between the Lenders, Lydian Armenia, as Borrower, and the Applicants, remaining Non-Applicant Stay Parties and remaining members of the Lydian group as guarantors, dated March 10, 2020 to fund certain obligations of the Applicants and the Non-Applicant Stay parties through the extension of the Stay Period and secured by a super-priority charge (the "**DIP Charge**"); and
- e) approving the fees and disbursements of the Monitor and its legal counsel.

1.8 On March 11, 2020, the Court issued the DIP Approval Order.

1.9 Further information regarding these CCAA Proceedings, including motion materials, orders issued by the Court, affidavits, reports of the Monitor, and all other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor's website at <http://www.alvarezandmarsal.com/lydian> (the "**Monitor's Website**").

1.10 The purpose of this report (the "**Fourth Report**") is to:

- a) provide the Court with:
 - i. information in respect of the status of the CCAA Proceedings since the date of the Third Report; and
 - ii. cash flow results relative to forecast in respect of the cash flow forecast set out in the Third Report;

- b) support the Applicants' request for an order (the "**Stay Extension Order**"), among other things:
- i. extending the Stay Period in respect of the Applicants and the Non-Applicant Stay Parties to June 30, 2020, subject to finalizing the amendment to the DIP Agreement (the "**DIP Amendment**"), which will provide for an increase in the DIP Facility (as defined below) to fund certain obligations of the Applicants and the Non-Applicant Stay Parties through the stay extension period to June 30, 2020, which is currently being negotiated between the Applicants and the Lenders;
 - ii. approving the fees and disbursements of the Monitor and its legal counsel; and
 - iii. approving the Third Report and the Fourth Report and activities as set out therein; and
- c) provide the Court with the Monitor's recommendations in respect of the foregoing, as applicable.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Fourth Report, the Monitor has been provided with and has relied upon, unaudited financial information; books, records and financial information prepared by certain senior management of the Applicants and Lydian Armenia ("**Senior Management**"); and discussions with Senior Management (collectively, the "**Information**").

2.2 With respect to any of the Applicants' cash flow forecasts and projections:

- a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has neither audited nor otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the *Chartered Professional Accountants Canada Handbook* and accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- b) any examination or review of such financial forecasts and projections, as outlined in the *Chartered Professional Accountants Canada Handbook*, has not been performed.

2.3 Future oriented financial information referred to in this Fourth Report was prepared based on management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections. Even if the assumptions materialize, the variations could be significant.

2.4 This Fourth Report should be read in conjunction with the affidavit of Edward A. Sellers sworn April 27, 2020 (the “**April Sellers Affidavit**”) in support of the Applicants’ motion returnable on April 30, 2020 for the relief described above. The April Sellers Affidavit will be posted to the Monitor’s Website. Edward A. Sellers is the Interim President and Chief Executive Officer of Lydian International and a director of the other Applicants in these CCAA Proceedings.

2.5 Unless otherwise stated, all monetary amounts contained in this Fourth Report are expressed in U.S. dollars.

3.0 JERSEY RECOGNITION PROCEEDINGS

- 3.1 As discussed in the Third Report, on February 25, 2020, the Royal Court of Jersey (the “**Royal Court**”) issued an Order giving effect to the Initial Order (the “**Recognition Order**”). Jersey is the jurisdiction of incorporation of the “topco” parent company within the Lydian Group, and is a reporting issuer under Canadian securities laws.
- 3.2 Since the date of the Third Report, the Applicants have received the reasons in support of the Recognition Order from the Jersey Court, which are attached hereto as **Appendix “A”**.

4.0 CORPORATE GOVERNANCE

Closure of Denver Office

- 4.1 As described in the First Report, Lydian U.S. was based out of an office in Denver, Colorado (the “**Denver Office**”) and employed three full time and two contract employees, including the Chief Financial Officer and the Financial Controller who performed the accounting and reporting functions for the Lydian Group.
- 4.2 As described in the Third Report, as a result of the significant decrease in corporate activity since the Denver Office was established, the Applicants determined that it was no longer practical or economical to maintain Lydian U.S. and accordingly, planned to close the Denver Office effective March 13, 2020.
- 4.3 As planned, all Lydian U.S. employees (full time and contract) were terminated effective March 13, 2020, all employee obligations were paid up to that date, and the premises were vacated by March 31, 2020.

- 4.4 The Applicants have engaged one of the former Lydian U.S. accounting personnel and an interim manager to ensure that the non-public accounting, reporting and treasury functions of the Lydian Group and the reporting requirements under the DIP Agreement continue to be maintained, all required tax and other non-public filings are made, and any general support required for the transaction process and/or other go-forward plans is provided.

Governance Changes

- 4.5 Since the date of the Third Report, the Applicants have, in consultation with the Monitor and each of Resource Capital Fund VI L.P., Orion Co IV (ED) Limited, a division of Orion Capital Management, and Osisko Bermuda Limited (collectively, the “**Lenders**”), as planned and outlined in the Third Report, implemented the governance changes described below.
- 4.6 Since the date of the Third Report, each of the directors of Lydian International resigned, other than Edward Sellers and Victor Flores. Edward Sellers continues to be engaged as interim CEO of Lydian International. Further, each of the directors and officers of Lydian Canada and Lydian U.K., other than Edward Sellers, have resigned. Victor Flores has been appointed as a director of 11910728 Canada Inc. (“**DirectorCo**”), a corporation recently incorporated pursuant to the *Canada Business Corporations Act*, which is a direct, wholly-owned subsidiary of Lydian Canada. No additional directors have been appointed to any of the boards of Lydian International, Lydian Canada, Lydian U.K. and DirectorCo.

Public Company Reporting

- 4.7 As a result of the COVID-19 pandemic, the Ontario Securities Commission (the “OSC”) has granted a 45-day extension for any annual or interim filings that are due prior to June 1, 2020. Due both to this extension, as well as the current financial constraints of the Applicants, the Monitor understands that Lydian International has advised the OSC that it will not be able to provide public company disclosure going forward. The Monitor will continue to make all publicly available materials filed in these CCAA Proceedings available on the Monitor’s Website.

Director and Officer Insurance

- 4.8 Following the date of the Third Report, the Applicants were able to secure an extension of insurance coverage for their directors and officers until May 1, 2020. The Monitor understands that the Applicants are in discussions with their insurance provider to seek a further extension of insurance coverage.

5.0 SISP UPDATE

- 5.1 BMO and the Applicants, in consultation with the Monitor, continue to advance discussions with the Lenders with respect to the Applicants’ sale and investment solicitation process (the “SISP”). The Monitor has participated in weekly update calls with BMO and the Applicants in order to keep apprised of all aspects of the SISP.

6.0 MONITOR’S ACTIVITIES SINCE THE THIRD REPORT

- 6.1 In addition to the activities described elsewhere in this Fourth Report, the activities of the Monitor since the date of the Third Report have included:

- a) assisting the Applicants with communications to employees and other parties;
- b) engaging in discussions with the Applicants, their respective legal counsel and other advisors, and the Non-Applicant Stay Parties and their advisors regarding the CCAA Proceedings, financing in respect of same, the SISP, the DIP Agreement and the DIP Amendment;
- c) facilitating and participating in discussions among the Applicants and their Lenders with respect to the DIP Agreement and the DIP Amendment, governance structure and various work streams being undertaken;
- d) responding to enquiries from stakeholders and participating in discussions with certain stakeholders;
- e) monitoring receipts, disbursements and commitments of the Applicants, assisting the Applicants to review receipts, disbursements and commitments of Lydian Armenia and Lydian U.S. which are sources of funding to the Applicants, and assisting the Applicants in reporting in respect of same to the Lenders in accordance with the DIP Agreement;
- f) assisting management of the Applicants to quantify potential funding requirements of the Applicants and Lydian Armenia;
- g) assisting management of the Applicants to prepare the Updated Cash Flow Forecast (defined below);

- h) engaging in discussions with BMO and management and advisors of the Applicants in respect of the SISP and funding;
- i) consulting with management in respect of the potential extension of insurance coverage for the Applicants' directors and officers beyond May 1, 2020;
- j) posting non-confidential materials filed with this Court to the Monitor's Website;
- k) attending the motion returnable on March 11, 2020;
- l) reviewing and considering the AEF Letter (as defined below) and obtaining information from the Applicants for the purpose of fully considering same and reporting to this Court; and
- m) preparing this Fourth Report.

6.2 The Monitor has also continued to assist the Applicants and the Non-Applicant Stay Parties with their diligent efforts to maintain flexibility and optionality with respect to their operations, including the ability to re-start operations should current circumstances change. This has included, among other things, continued discussions between the Applicants and their lenders and other stakeholders and advancing the discussions regarding a potential sale as well as extended DIP funding.

7.0 AEF LETTER

7.1 As discussed in the Third Report, the Monitor received a letter dated February 28, 2020 from Arpine Galfayan, on behalf of the Armenian Environmental Front Civil Initiative ("AEF"), sent to the Monitor, the Applicants and the Court (the "AEF Letter"). A copy

of the AEF Letter is attached hereto as **Appendix “B”**. The AEF Letter: (i) alleges that the Affidavit of Edward Sellers sworn December 22, 2019 in connection with the Initial Order (the “**Sellers Initial Affidavit**”) contained factual misrepresentations, and (ii) wishes to ensure that the Court is aware of certain actions taken by Lydian.

7.2 The AEF Letter raised the following issues, each of which the Applicants dispute:

- a) the Sellers Initial Affidavit mischaracterizes the failure of the police in Armenia to act on court orders requiring the removal of blockaders, and states that the police did comply with the removals required in the court orders (the “**Trespass Issue**”);
- b) Lydian Armenia inappropriately entered into a settlement agreement with the Jermuk Health Centre CJSC (the “**Jermuk Health Centre**”) related to the termination of a long term lease agreement pursuant to which Lydian Armenia rented property from Jermuk (the “**Jermuk Lease**”) and such settlement vastly exceeded the initial claims by the Jermuk Health Centre (the “**Jermuk Settlement Issue**”); and
- c) the findings contained in the August 7, 2019 report of Earth Link and Advanced Resources Development (“**ELARD**”) following the environmental audit conducted by ELARD in 2019 (the “**ELARD Report**”) were not as conclusive as stated in the Sellers Initial Affidavit (the “**ELARD Issue**”).

7.3 At the Applicants’ motion returnable on March 2, 2020, the Court directed the Monitor to report to the Court on the issues raised in the AEF Letter.

- 7.4 On March 10, 2020, the Monitor received a further email from the AEF containing a highly technical memorandum dated December 11, 2019 prepared by Ann Maest, PhD (the “**Maest Memo**”) concluding that Lydian International’s 2019 National Instrument 43-101 Technical Report underestimated the risks, costs and associated uncertainties for the Amulsar Project and that a revised report should be completed. A copy of the email and attached Maest Memo is attached hereto as **Appendix “C”**.
- 7.5 During the motion on March 11, 2020, the Court directed the Monitor to communicate to the AEF that, going forward, AEF is required to file its materials in accordance with the *Rules of Civil Procedure*. Accordingly, on March 19, 2020, the Monitor sent a letter to the AEF (the “**Monitor Letter**”), which advised AEF that: (i) if the AEF wishes to raise any issues, make submissions to the Court or take any position in respect of Lydian’s actions as reported in materials filed with the Court, it must prepare, serve and file a Notice of Appearance with the Court and participate in the usual course; and (ii) parties are not permitted to communicate directly with the Court and, as such, any future correspondence must be sent to the entire Service List and filed with the Court in the proper manner. A copy of the Monitor Letter is attached here to as **Appendix “C”**. To the Monitor’s knowledge, the AEF has not served a Notice of Appearance or served or filed any materials in these proceedings.
- 7.6 Lydian Armenia is not an Applicant in the within proceedings and is a Non-Applicant Stay Party. The Monitor has limited visibility into the operations of Lydian Armenia, other than primarily for the purposes of the Cash Management System and development of the Lydian Group’s cash flow forecast for the purposes of the DIP Facility. Foreign recognition of the Initial Order has not been sought in Armenia.

7.7 The Monitor has reviewed and considered the information contained in the AEF letter and requested and received certain information and details from the Applicants in respect of the issues raised in the AEF Letter. The Monitor has requested, received and reviewed additional information and has had an opportunity to consider the issues and responses provided. On such basis, the Monitor's assessment is as follows:

- a) with respect to the Trespass Issue, this is the subject of extensive disputes and litigation relating to the activities at the Amulsar Project in Armenia. The parties disagree on the interpretation of the actions taken by the Government of Armenia and the police in dealing with the blockaders located on Lydian Armenia's property at the Amulsar Project. Trailers and blockaders continue to be located on the property which are subject to a long standing dispute as to whether the existence of the trailers and blockaders on Lydian Armenia's property is the central trespass issue, or whether specific geographic coordinates for the trespass are the issue;
- b) with respect to the Jermuk Settlement Issue, Lydian Armenia and Jermuk Health Center reached a settlement in relation to Lydian Armenia's termination of the Jermuk Lease in the amount of \$1.27 million, which the Monitor has been advised was significantly less than the liabilities claimed by Jermuk Health Center from Lydian Armenia in connection with such termination. In the course of the dispute, Jermuk Health Center brought a motion to maintain the security deposit previously paid by Lydian Armenia under the Jermuk Lease in the amount of \$150,000, which is the amount referred to by the AEF in the AEF Letter. This amount pertained solely to the security deposit, and not the entirety of the

damages claimed by Jermuk Health Center in association with the termination of the Jermuk Lease; and

- c) with respect to the ELARD issue, the points and issues raised in the ELARD Report are highly technical and are the subject of extensive and ongoing historical disputes and disagreements between ELARD and Lydian Armenia, in respect of which the Monitor understands that Lydian Armenia has provided detailed and lengthy responses to in Armenia. Such dispute remains active, and the Monitor is of the view that it would not be appropriate for a foreign court officer in this proceeding wherein Lydian Armenia is not an Applicant, to make any determination or assessment of the situation which could be referred to by any party as representing a statement of fact or a finding that is relied upon in a foreign litigation proceeding.
- 7.8 It is the Monitor's view that the issues raised in the AEF Letter pertain to historical and long-standing disputes with respect to the detailed and technical operations of Lydian Armenia at the site of the Amulsar Project in Armenia, and do not have any material or other impact on the current CCAA proceedings or any Orders granted by the Court in this proceeding.
- 7.9 In view of the fact that: (i) the AEF has taken no steps, including retaining counsel or filing a Notice of Appearance in this proceeding to take any position on any issues they wish to raise following delivery of the Monitor Letter; (ii) Lydian Armenia is not an Applicant in this proceeding but a Non-Applicant Stay Party only; and (iii) the only funding currently available in this proceeding is through the DIP Facility made available

by the Lenders, subject to a cash flow forecast for purposes approved by the Lenders in order to efficiently advance the objectives set out in this Fourth Report; the Monitor has not expended further resources reviewing the issues raised in the AEF Letter or Maest Memo.

8.0 DEBTOR-IN-POSSESSION FINANCING

8.1 In connection with the Applicants' request to extend the Stay Period, the Applicants, in consultation with the Monitor, are currently negotiating the DIP Amendment with the Lenders, which will provide for an increase in the DIP facility made available by the Lenders to the Applicants (the "**DIP Facility**"). The increase to the DIP Facility, if granted by the Lenders, is expected to provide the Applicants with sufficient funding through the proposed period of the requested stay extension.

8.2 The Monitor intends to file a supplemental report to the Court (the "**Supplemental Report**") upon finalization of the DIP Amendment.

9.0 CASH FLOW RESULTS RELATIVE TO FORECAST

9.1 Actual receipts and disbursements for the period from March 7 to April 17, 2020 (the "**Reporting Period**"), as compared to the Updated Cash Flow Forecast discussed in the Third Report are summarized in the following table:

Lydian International Limited., et. al. Schedule of Actual Receipts and Disbursements Compared to the Updated Cash Flow Forecast For the Six-Week Period Ended April 17, 2020 (\$ USD)			
	Actual	Forecast	Variance
Cash Receipts			
Miscellaneous receipts	-	-	-
Total Cash Receipts	-	-	-
Cash Disbursements			
Salaires, benefits and taxes	(64,831)	(149,000)	84,169
Insurance	(205,658)	(127,847)	(77,811)
Board of Directors	(30,000)	(30,000)	-
Office, IT and bank fees	(5,601)	(7,130)	1,529
Travel	(2,014)	(60,000)	57,986
Miscellaneous	-	(3,375)	3,375
Professional fees	(1,123,181)	(1,289,005)	165,824
Contingency	-	(30,000)	30,000
Total Cash Disbursements	(1,431,285)	(1,696,357)	265,072
Net Cash Flow, Before Debt Service	(1,431,285)	(1,696,357)	265,072
Beginning Cash Balance	181,854	181,854	-
Net operating cash flow	(1,431,285)	(1,696,357)	265,072
Intercompany transfers	1,250,000	1,515,000	(265,000)
Ending Cash Balance	569	497	72

9.2 During the Reporting Period:

- a) Salaries, benefits and tax payments were approximately \$84,000 lower than forecast due to a timing difference in the payment of certain expat tax obligations that have not yet been filed. Management expects this to reverse in the coming weeks;
- b) Insurance related disbursements were approximately \$77,800 greater than forecast due to the payment of D&O insurance in respect of an invoice that had not previously been received by the Applicants related to the period prior to the period captured by the Updated Cash Flow Forecast;

- c) Travel related expenses were approximately \$58,000 lower than forecast due to the moratorium on international travel implemented by governments as a result of the COVID-19 pandemic preventing any travel to Armenia or elsewhere; and
- d) Professional fees were approximately \$165,000 lower than forecast. Approximately \$63,000 of this is due to the timing of invoicing and is expected to reverse in the coming weeks. The remaining \$102,000 is due to lower than forecast fees having been incurred during the Reporting Period.

9.3 As provided in the Amended and Restated Initial Order, the Applicants and Non-Applicant Stay Parties continue to utilize the existing Cash Management System which provides for intercompany transfers to the Applicants by Lydian Armenia and Lydian U.S. The DIP Facility and the advances made thereunder are being made to the borrower on the same basis as the pre-filing Credit Agreement, with all Applicants being guarantors thereunder.

10.0 UPDATED CASH FLOW FORECAST

10.1 The Applicants, with the assistance of the Monitor, have prepared an updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the 11-week period April 18 to July 3, 2020 in respect of the Applicants. However, the Updated Cash Flow Forecast assumes that the DIP Amendment will be entered into and provides for an increase in the DIP Facility in the amount requested by the Applicants. Accordingly, a copy of the Updated Cash Flow Forecast will be appended to the Monitor’s Supplemental Report, once filed.

11.0 APPROVAL OF FEES AND DISBURSEMENTS OF MONITOR AND MONITOR’S COUNSEL

- 11.1 The Amended and Restated Initial Order requires the Monitor and its legal counsel to pass their accounts from time to time and refer their accounts to a judge of the Court.
- 11.2 Attached hereto as **Appendix “D”** is the Affidavit of Alan J. Hutchens sworn April 27, 2020 (the “**Hutchens Affidavit**”), attesting to the fees and disbursements of the Monitor for the period March 1 to April 15, 2020 in the aggregate amount of \$91,799.69.
- 11.3 Attached hereto as **Appendix “E”** is the Affidavit of D.J. Miller, a partner with Thornton Grout Finnigan LLP (“**TGF**”), counsel to the Monitor, sworn April 27, 2020 (the “**Miller Affidavit**”), attesting to the fees and disbursements of TGF, for the period from March 1 to April 13, 2020 in the amount of \$134,835.09, including HST. The Monitor confirms that the fees and disbursements set out in TGF’s invoices relate to advice sought by the Monitor and that, in the Monitor’s view, TGF’s fees and disbursements are reasonable.
- 11.4 Certain dockets in the invoices attached to the Hutchens Affidavit and the Miller Affidavit have been redacted to maintain confidentiality and privilege. Unredacted copies of the invoices will be made available to the Court upon request.
- 11.5 It is the Monitor’s view that its fees and disbursements described in the Hutchens Affidavit, as well as those of TGF described in the Miller Affidavit, are fair and reasonable in the circumstances. The Monitor therefore requests that this Court approve its fees and disbursements and the fees and disbursements of its legal counsel.

12.0 EXTENSION OF STAY

12.1 The Stay Period will expire on April 30, 2020. The Applicants are seeking an extension of the Stay Period to June 30, 2020 in respect of both the Applicants and the Non-Applicant Stay Parties, and certain relief pursuant to the Stay Extension Order.

12.2 Subject to the Applicants and Lenders entering into the DIP Amendment, the Monitor supports extending the Stay Period to June 30, 2020 and the ancillary relief sought in the Stay Extension Order for the following reasons:

- a) during the proposed extension of the Stay Period, the Applicants will have an opportunity to:
 - i. attempt to continue discussions with the Government of Armenia in an effort to gain access to the Amulsar Project;
 - ii. with the assistance of BMO and the oversight of the Monitor, continue to engage in discussions with a view to negotiating a transaction with a potential purchaser through the SISF;
 - iii. in consultation with the Lenders and with the assistance and oversight of the Monitor, develop and implement further changes to simplify the corporate structure and minimize on-going costs of the Lydian Group; and
 - iv. consider other alternatives available to the Applicants and Non-Applicant Stay Parties to advance the CCAA Proceedings; and

- b) subject to the DIP Amendment being finalized, the Applicants and the Non-Applicant Stay Parties are forecast to have sufficient liquidity to continue current operations and make the payments reflected in the Updated Cash Flow Forecast to be made during the requested extension of the Stay Period;
- c) the Monitor is of the view that the proposed Stay Extension Order is necessary to give the Applicants the flexibility required in order to have the best possible chance to implement a successful restructuring;
- d) no creditor of the Applicants would be materially prejudiced by the extension of the Stay Period and the ancillary relief sought by the Applicants; and
- e) the Applicants have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

13.0 MONITOR'S RECOMMENDATION

- 13.1 For the reasons set out in this Fourth Report, the Monitor is of the view that the relief requested by the Applicants is reasonable and, subject to the DIP Amendment being finalized, respectfully recommends that this Court grant the relief sought by the Applicants.

All of which is respectfully submitted to this Court this 27th day of April 2020.

**Alvarez & Marsal Canada Inc., in its capacity
as Monitor of Lydian International Limited,
Lydian Canada Ventures Corporation and
Lydian U.K. Corporation Limited
and in no other capacity**



Per: Alan J. Hutchens
Senior Vice President

APPENDIX A

Companies- reasons.

[2020]JRC049

**ROYAL COURT
(Samedi)**

17 March 2020

**Before : R. J. MacRae, Esq., Deputy Bailiff, and Jurats Thomas
and Hughes.**

IN THE MATTER OF THE REPRESENTATION OF LYDIAN INTERNATIONAL LIMITED

Advocate S. J. Alexander for the Representor.

JUDGMENT

THE DEPUTY BAILIFF:

1. On 25th February, 2020, the Court made various orders in response to a letter of request dated 23rd December, 2019, addressed to the Royal Court and transmitted to the Court under an order made by Chief Justice Morawetz of the Ontario Superior Court of Justice dated 23rd January, 2020.
2. We now give reasons for our decision.
3. Lydian International Limited ("Lydian International") is a Jersey company. It is the ultimate holding company for the wider Lydian Group. It is not necessary to set out the identity of all the companies in the Lydian Group. But Lydian International holds 100% of the shares in Lydian Canada Ventures Corporation, a company registered in British Columbia. Lydian Canada Ventures Corporation in turn owns 100% of the shares in Lydian UK Corporation Limited, a United Kingdom company.
4. Ultimately, through two companies registered in the British Virgin Islands, the companies that we have described wholly own an Armenian company which holds the principal asset of the group, a gold mine in Armenia.

5. The three companies identified, Lydian International, Lydian Canada Ventures Corporation and Lydian UK Corporation Limited were the three companies within the Group which were the subject of an application made to the Ontario Supreme Court under the Companies' Creditors Arrangement Act ("the CCAA").
6. The CCAA is a Canadian federal statute allowing insolvent debtors to restructure their business and financial affairs. In particular, it allows a company to continue its business whilst it seeks to make arrangements with its creditors. This includes "debtor in possession" insolvency proceedings whereby the debtor (in this case the three companies referred to) remains in possession of their property and are able to carry on their business until conclusion of the proceedings. The proceedings are carried out under the supervision of the court with the assistance of an independent insolvency practitioner known as the "Monitor".
7. The financial difficulties which the Lydian group companies are currently encountering are a consequence of difficulties in completing the construction of the gold mine which are said to have been caused by arbitrary measures taken by the government of Armenia. It is not necessary to describe further the difficulties this has caused to the Lydian Group.

The judgment of the Supreme Court of Justice, Ontario ("the Ontario Court")

8. The judgment of the Ontario Court recognised that Lydian International is a Jersey company, initially incorporated in Alberta. The applicants to the Ontario Court submitted that the Lydian Group business was completely integrated and its business directed primarily out of Canada, with most of its strategic decision making being conducted in Toronto and Vancouver. The Lydian Group's loan agreements were governed primarily by the laws of Ontario. It was clear from the judgment of the Ontario Court that the restructuring arrangements for the Lydian Group are complex and that it may be appropriate for the insolvency regime of one jurisdiction to oversee the process.
9. The Ontario Court held that the Jersey and UK companies, although foreign incorporated were "companies" pursuant to the CCAA, as they either had assets or did business in Canada. They were also "debtor companies" for the purpose of the CCAA as they were insolvent and had liabilities in excess of C\$5m.
10. The Ontario Court held *"The registered offices for Lydian International and Lydian UK are in Jersey and the UK respectively, however, both entities have assets in Ontario, those being funds on deposit with the Bank of Nova Scotia in Toronto. Further, it seems to me that both Lydian*

International and Lydian UK have a strong nexus to Ontario and accordingly I am satisfied that Ontario is the appropriate jurisdiction to hear this application. I am also satisfied that, in the circumstances, it is appropriate for this court to issue to the Royal Court of Jersey a letter of request as referenced in the application record.”

11. The Ontario Court has made interim orders which need to be renewed frequently and are under the supervision of the Monitor. These orders have, *inter alia*, the effect that the applicants remain in possession and control of their current and future assets; may continue to carry on business in a manner consistent with the preservation of their business; are entitled to pay various expenses; are directed not to make payments of principal or interest to any of their creditors and are protected from any proceedings or enforcements against them except with consent of the applicants and the Monitor, or leave of the Court. These protections extend to the directors and officers of the applicants. The Monitor has been ordered to monitor the receipts and disbursements of the three companies; report to the Court at such time and intervals as the Monitor may deem appropriate with respect to matters relating to the property of the companies; advise the companies in the preparation of their cash flow statements; have full and complete access to the affairs of the companies and, be at liberty to engage counsel or such other persons as the Monitor deems appropriate respecting the exercise of its powers and obligations.

The letter of request

12. The letter of request ordered to be sent to this Court is entitled “*Letter of Request (Comity Application)*”. *The letter requests the assistance of this Court and invites the Court to give various relief. Importantly, the Ontario Court confirms “that, as a matter of international comity, the courts of the provinces and territories of Canada will consider giving effect to orders made by the Royal Court of Jersey relating to the bankruptcy of an individual or company (save for the purpose of enforcing the fiscal laws of Jersey)”.*
13. The Ontario Court requests the assistance of the Royal Court to act in aid of the applicants and the Monitor in the conduct of the reorganisation of the applicants and in particular, in summary, by recognising the appointment of the Monitor; by recognising the rights and powers of the applicants and the Monitor in respect of the property of Lydian International; by declaring that no action shall be taken or proceeded with against Lydian International except by leave of the Ontario Court and by granting such further or other relief as the Royal Court shall think fit in aid of the applicants and the Monitor in the reorganisation of Lydian International.

14. The Court was concerned to satisfy itself firstly that it had jurisdiction to grant the orders made and secondly, if it had such jurisdiction, whether it would be appropriate to exercise it in favour of granting some or all of the orders sought in the letter or request.

The Court's jurisdiction

15. There is no statutory basis to assist the Ontario Court.
16. Article 49 of the Bankruptcy (Désastre) (Jersey) Law 1990 provides that:

“(1) The court may, to the extent it thinks fit, assist the courts of a relevant country or territory in all matters relating to the insolvency of a person, and when doing so may have regard to the extent it considers appropriate to the provisions for the time being of any model law on cross border insolvency prepared by the United Nations Commission on International Trade Law.

...

(4) In this Article “relevant country or territory” means a country or territory prescribed by the Minister.”

17. However, the provisions of the order made by the Minister under Article 49, as contained in the Bankruptcy (Désastre) Jersey Order 2006, list a number of countries and territories which do not include Canada.
18. We were assisted by various Jersey cases cited to us in the course of argument in which the Royal Court, in the exercise of its discretion and having regard to the principles of comity, decided to make orders having the effect of implementing orders made by foreign courts in respect of bankruptcies in those jurisdictions.
19. The authority of most assistance was the decision of the Royal Court in Tacon –v- Nautilus Trust Company Limited, John Grimshaw and Montrow International Limited [2007] JRC 107 and the decision of the Court of Appeal on appeal in Montrow International –v- Tacon [2007] JCA 144.

20. In that case the Royal Court was considering an application made by the respondents to stay an order previously made by the Royal Court whereby it had recognised the appointment by the High Court of the British Virgin Islands of a provisional liquidator and authorised him to exercise in Jersey various powers as provisional liquidator of companies, including Montrow International Limited. At paragraph 24 the Court said:

“24. The second preliminary objection was that this Court does not have power to order a director to provide information etc at the instance of a provisional liquidator of an overseas company because Jersey does not have the concept of a provisional liquidator. Reliance was placed upon a dictum of Lord Hoffmann in Cambridge Gas Transport Cooperation v the Official Committee of Unsecured Creditors of Navigator Holdings plc [2006] 3 WLR 689 where he said at para 22

“What are the limits of the assistance which the court can give? In cases in which there is statutory authority for providing assistance, the statute specifies what the court may do.....At common law, their Lordships think it doubtful whether assistance could take the form of applying provisions of the foreign insolvency law which form no part of the domestic system. But the domestic court must at least be able to provide assistance by doing whatever it could have done in the case of a domestic insolvency. The purpose of recognition is to enable the foreign office holder or the creditors to avoid having to start parallel insolvency proceedings and to give them the remedies to which they would have been entitled if the equivalent proceedings had taken place in the domestic forum.”

25. However, that comment was made in the context of what powers the domestic court could exercise in aid of the foreign court. It was not concerned with the question of to whom such assistance could be given. In that respect Lord Hoffmann had at para 20 said the following:-

“Corporate insolvency is different in that, even in the case of movables, there is no question of recognising a vesting of the company’s assets in some other person. They remain the assets of the company. But the underlying principle of universality is of equal application and this is given effect by recognising the person who is empowered under the foreign bankruptcy law to act on behalf of the insolvent company as entitled to do so in England.”

26. The person entitled under BVI law to act on behalf of Montrow is Mr Tacon as provisional liquidator. The Court should therefore recognise him

even though Jersey does not have the concept of a provisional liquidator. The same point would arise in respect of a duly appointed administrator of an English company. Jersey does not have the concept of placing a company in administration but, given that under English law, an administrator once appointed is the person empowered to act for the company, this Court would, in conformity with the remarks of Lord Hoffmann, recognise the administrator of an English company as being the person entitled to act on behalf of that company.

27. No one suggested in argument that the liquidator of a Jersey company does not have a comparable power to obtain information from a director as is envisaged by Para 2(g) of the order and accordingly we reject the argument that this Court is unable to make the order in question merely because Jersey does not have the concept of a provisional liquidator.”

21. The single judge of the Court of Appeal, Michael Beloff QC, refused leave to appeal.
22. It is true that the relief available under the CCAA including, for example, the appointment of the Monitor and certain other orders made by the Canadian Court, are not features of Jersey law. Accordingly, the Court would be going rather further than the Royal Court went in Tacon –v- Nautilus and others in granting the relief sought. In that case, although Jersey does not have the concept of a provisional liquidator, it was not suggested that a liquidator of a Jersey company did not have the power to obtain information envisaged by the order that was sought.
23. In this case, the Court is being invited to make orders ancillary to those made in the Ontario Court which could not be obtained in any Jersey bankruptcy or insolvency procedure, as there is no equivalent process in Jersey.
24. It was accepted by counsel for Lydian International that there were elements of the Canadian process which were not known to Jersey law, but it was said that there was nothing about the relief that was sought that was inconsistent with public policy or contrary to any fundamental principles of Jersey law. We accepted this argument.
25. Accordingly, the Court found that it did have jurisdiction to make the order sought in the letter of request.

Exercise of our jurisdiction

26. This is not a case (unlike, for example, the Montrow International case) where the foreign insolvency process was itself heavily contested. Nor is it a case where such process was undertaken in the absence of representation by or on behalf of the creditors.
27. We were shown a list of the principal creditors, of whom six are secured and ten are unsecured. Some of the secured creditors were represented by counsel at the hearing before the Chief Justice of the Ontario Court.
28. We note that there are no secured or unsecured creditors (with the exception of the applicant's Jersey lawyers) in Jersey so no Jersey creditors will be prejudiced by any order that this court may make. Further, in accordance with the orders made at the convening hearing in this matter, all creditors were notified of the hearing. There was a delay in notifying certain of the unsecured creditors, but they still had sufficient time (five days) to respond prior the deadline of 18th February 2020 and, in the event, none of the secured or unsecured creditors have expressed any opposition to the orders being sought.
29. The only creditor who can be described as an objector to the proceedings is Caterpillar Financial SARL which is one of the six secured creditors of the three companies that are applicants in the CCAA proceedings (but not the largest). Caterpillar has been in communication with counsel for Lydian International, and its concern relates to the fact that Lydian International is a guarantor of a loan granted by Caterpillar to another company in the Lydian Group which is not the subject of the CCAA proceedings; Caterpillar objects to the CCAA court attempting to apply the Canadian stay "extra judicially" to collateral in Armenia and protests that any order by a Jersey court would not be effective against either Lydian International or the Armenian collateral.
30. We were shown evidence showing that at the most recent hearing before the Ontario Court, Caterpillar elected to reserve its position in respect of any challenge to the Ontario Court orders. In any event, as set out below, we ordered that any affected creditor (including Caterpillar) may have liberty to apply in relation to the orders that we made.
31. As to Lydian International itself, we were told that it is Jersey tax resident; that its registered office is in Jersey; it has an employee in Jersey; board meetings have occurred here in the past and we note that one of the six directors of the Company is resident in the Channel Islands.

32. There has been correspondence between Lydian International's Jersey advocates and the office of the Viscount in order to see if she has any substantive views on the application made. She did not express any views that were hostile to this application.
33. Although there is no precedent in Jersey for a Canadian CCAA order or similar order being enforced or recognised in relation to a Jersey company, we had no doubt that we should assist the Canadian Court in this case. There were no reasons of Jersey public policy impeding the court making the orders sought. To the contrary, it is consistent with Jersey's status as a responsible jurisdiction for the Royal Court to lend assistance in order to facilitate an international insolvency process in a friendly country that has a potential to benefit the creditors of the Lydian Group as a whole.
34. Further, whilst of course this court retains a discretion as whether or not to assist an overseas court and as to the nature and degree of assistance, the fact remains that it is the Ontario Court which is exercising the principal insolvency jurisdiction in this case, and this court should have regard to the decisions of that court particularly where, as in this case, we have been supplied with a substantial body of material explaining the background to this matter, together with a reasoned judgment of the Ontario Court, following a hearing to which the creditors were convened and certain of the creditors represented by counsel.
35. The Court gave substantial weight to the indication in the letter of request that the Canadian court would consider giving effect to equivalent orders made by the Royal Court in respect of the bankruptcy of an individual or company and ordered that:
- (i) Alvarez & Marsal Canada Inc. ("the Monitor") be appointed as the Monitor of Lydian International with such appointment registered in the rolls of the Royal Court, and the appointment of the Monitor be notified to the Jersey Financial Services Commission;
 - (ii) Lydian International shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever in Jersey and, subject to further order of the Ontario Court, Lydian International shall continue to carry on business in a manner consistent with the preservation of its business and property;
 - (iii) No proceeding or enforcement process in or out of any court or tribunal shall be commenced or continued against or in respect of Lydian International, or affecting its business or its property, except with the written consent of Lydian International, or with leave of the Ontario Court; and

- (iv) Lydian International and any party affected by this Representation, including the creditors of Lydian International, shall have liberty to apply.

Authorities

Creditors Arrangement Act

Bankruptcy (Désastre) (Jersey) Law 1990.

Bankruptcy (Désastre) Jersey Order 2006

[Tacon –v- Nautilus Trust Company Limited, John Grimshaw and Montrow International Limited](#)
[2007] JRC 107

[Montrow International –v- Tacon](#) [2007] JCA 144.

APPENDIX B

To: Honorable Geoffrey B. Morawetz Chief Justice, Ontario Superior Court of Justice
Copy to: Alvarez & Marsal Canada Inc.

February 28, 2020

Letter in Relation to Court File No.CV-19-00633392-00CL Motion Record of January 20, 2020 Presented by Lydian Group's Lawyers

Attachment 1. Police of Armenia, clarification on implementing court order regarding the Amulsar blockades

Honorable Chief Justice Morawetz and Superior Court of Justice (Commercial List),

We, Arpine Galfayan, Anna Shahnazaryan, Mariam Davtyan, Ani Khachatryan and Levon Galstyan, are citizens of Armenia and concerned parties regarding Lydian Group's mining activities in Armenia as mining affects the environment and economy of the whole country. We are also self-organized in a volunteer environmental watchdog group.

We have seen the Motion Record of Lydian Group's Lawyers including Lydian Group's CEO Edward Sellers' affidavit of December 2019 and Chief Justice Geoffrey Morawetz's appeal to the Royal Court of Jersey published by Alvarez and Marshal on their website (<https://bit.ly/2PwOs81>).

We find it of utmost importance to inform you of the factual misrepresentations and therefore material misleading found in Mr. Edward Sellers' affidavit of December 2019. We also present to you additional information regarding court decisions made in Armenia in relation to Lydian's assets. While the government of Armenia has positioned itself in support of Lydian and has not made sanctions in relation to misleading conducted by the company for the past 6-7 years, and although we have found over two dozen instances of factual misrepresentations, by this letter we submit only three important points and express willingness to submit further clarifications, as requested.

Regarding the blockades and the Police of Armenia not implementing court order

1. Lydian provided factually incorrect information regarding implementation by Armenia's police of court decisions. Mr. Sellers claims: *"Police forces in Armenia have not acted on orders made by Armenian courts requiring the removal of blockaders and the commencement of criminal proceedings against them, and the GOA [Government of Armenia] has failed to cause the police to enforce court orders, further extending the illegal blockades."*

Lydian Armenia's court complaint was not about removal of blockades but about acting on trespassing in real estate in ownership of the company. The matter was the fact that protesters had set-up a protest site at the intersection of a main road and company-used gravel roads leading to its facilities and the mountain. The police recognized the action of the people as peaceful assembly in protection of their rights and right to protest. And so did the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association in his report to the Human Rights Council (May 2019, Visit to Armenia, para. 75-80). The police did carry out the order of the court to "eliminate trespassing" and ordered removal of the protesters' house-trailers from the territory of the real estate in the ownership of the company. It also took note that no trespassers were present in facilities owned by Lydian. The fact that the protests and resistance against a disastrous mining project continue immediately in the buffer zone of the inter-city road, is not a matter of compliance or non compliance with court orders. We requested the Armenian Police to clarify whether they implemented the court order and received a response which we are attaching to this letter. It is translated through a Notary approval and Apostille verification.

Regarding court decisions affecting Lydian's assets in Armenia

2. On December 12, 2019, the Civil Court of Vayk, Republic of Armenia, made a final decision over civil case AVD3/0249/02/19 (full case description found at DataLex, official website of Ministry of Justice of Armenia on court cases, http://datalex.am/?app=AppCaseSearch&case_id=27303072741028376) by which it approved the Settlement (Truce) Agreement of November 29, 2019 made between plaintiff "Lydian Armenia" (counter respondent) and respondent "Jermuk Ashkharh" CVJC (counter plaintiff, a hotel company). Earlier, by its claim of February 2019, Lydian demanded protection from the hotel owner's unilateral severance of property rental agreement in Jermuk, Armenia at the address of Shahumyan 20. Hotel owner "Jermuk Ashkharh" made a counter-claim and demanded circa 150.000 USD of damages resulting from Lydian's non-compliance with the rental agreement. By November 2019, Lydian offered a settlement (truce) and engaged in an agreement with "Jermuk Ashkharh" to annul the property rental agreement, to return the property to the owner and redeem damages in an amount of 1.270.000 USD, in addition to the earlier claimed amount of around 150.000 USD, calculated as non-paid rental and utility costs. The damages were calculated in relation to Lydian's restructuring of some parts of the hotel's building. **We draw your attention to the fact that during a period when Lydian was trying to extend forbearance agreements with its creditors and insolvency procedures were predictable, it engaged in a truce to pay a hotel company in Jermuk an amount, exceeding initial claims by almost 9 times.**

Regarding Assessment of Lydian's Environmental and Social Impact Assessment

3. In their affidavit of December 2019 (ELARD Audit (para. 58-70), para. 61), Mr. Sellers claims: "*ELARD completed the audit and released its report to the GOA on August 7, 2019, concluding that the Amulsar Project does not present a danger to the local water systems, and proposing some minor technical recommendations. In its report, ELARD did not challenge the validity of Lydian Armenia's EIA [emphasis added].*"

However, the Independent 3rd Party Assessment of the Impacts on Water Resources and Geology, Biodiversity and Air Quality, carried out by ELARD and TRC, claims the opposite:

"The ESIA/EIA assessments are deficient and corresponding conclusions are unreliable. Accordingly, the question of whether exploitation of the ore deposit can conclusively be considered safe cannot be answered [emphasis added]. The question about environmental damage is answered in responses to previous questions. (4.1. Responses to specific ToR questions, Question #10)"

The ELARD report clearly shows dozens of evidences of the company's deliberate misrepresentation of the reviewers' conclusions. Despite the fact that Lydian and Armenia's government attempted to subvert the detailed analysis of independent experts, we expect the Court and Bankruptcy Monitor to familiarize themselves with the full report and draw conclusions on how Lydian has misled them (as it did with its investors and creditors) in relation to the findings of this report (full report accessible at: <http://www.investigative.am/images/2019/lidian/porcaqnutyun/amulsar11.pdf>).

We remain at your disposal to provide more information, our address is: Spendaryan 5, apt 24, Yerevan 0002, Armenia, email: armecofront@gmail.com.

Arpine Galst'yan *Arpine Galst'yan*
ANI KHACHATRYAN *ANI KHACHATRYAN*
Levon Galst'yan: *Levon Galst'yan* 2
Mariam Davtyan *Mariam Davtyan*
Anna Shakhazaryan *Anna Shakhazaryan*

APPENDIX C

From: armecofront . <armecofront@gmail.com>
Sent: Tuesday, March 10, 2020 3:07 PM
To: D. J. Miller
Cc: Lydian@alvarezandmarsal.com; mmackenzie@alvarezandmarsal.com; ahutchens@alvarezandmarsal.com; Rachel Bengino
Subject: Re: Lydian Group CCAA Proceedings
Attachments: Maest-2019_NI-43-101-missing-elements_11Dec2019.pdf

Dear D.J. Miller and colleagues,

We thank you for your response and are glad to read that you have received and considered our previous letter.

Given the urgency and importance of the issue, we would like to bring to your attention one additional piece of information which concerns misleading of the investors by Lydian.

Lydian has published a revised NI 43-101 technical report (Lydian International, 2019; "Technical Report") for the Amulsar Project in Armenia. The Canadian National Instrument (NI) 43-101 Standards of disclosure for mineral projects is a set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, companies listed on stock exchanges in Canada. The focus of the NI 43-101 is disclosure with professional accountability, and the core principles rest on the Qualified Person, using standards and best practices, and producing a Technical Report (TMX and Ontario Stock Exchange, 2018). A Qualified Person must meet certain ethical, education, and experience requirements.

The affidavit of Edward A. Sellers, sworn 22 December 2019, refers to this report in paragraphs 89-90.

In December 2019, a Review of this Technical report was carried out by Ann Maest, a leading specialist in the field. Maest's review finds that Lydian's 2019 NI 43-101 **Technical Report underestimates risks, costs, and associated uncertainties for its Amulsar Project and in so doing fails to adequately meet the disclosure, professional accountability, and transparency requirements of NI 43-101**. The information in the Technical Report **contradicts the statement of no identified risks** (except ability to secure permits) on p. 1-10 and strongly suggests that development of the project will be affected by known (based on limited waste characterization results) and unknown (because of a lack of adequate waste characterization) environmental and social risks. The risks will result in higher operational and closure costs than estimated by Lydian. Importantly, all waste rock produced at the site will generate acid, according to Lydian's limited geochemical testing results. A revised NI 43-101 Technical Report should be completed that addresses these inadequacies and includes appropriate costs.

We are enclosing the Review for your information and consideration.

Sincerely,

Arpine Galfayan, on behalf of Armenian Environmental Front (AEF) Civil Initiative

Website: <http://www.armecofront.net/>

YouTube channel: <http://www.youtube.com/user/armecofront>

Facebook page: <https://www.facebook.com/armecofront>

Facebook group: <https://www.facebook.com/groups/armecofront>

Tel. +374 99 53 05 88, +374 93 53 49 59

Address: 5 Spendiaryan str. apt. 24, Yerevan, Armenia

On Sat, Mar 7, 2020 at 10:39 PM D. J. Miller <DJMiller@tgf.ca> wrote:

Arpine Galfayan and Members of the AEF Civil Initiative:

We act as counsel to Alvarez & Marsal Canada Inc. (“**A&M**”) in its capacity as court-appointed Monitor of certain members of the Lydian Group (the “**Applicants**”) pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA Proceeding**”). As Monitor, A&M acts as “the eyes and ears of the Court”, and is an officer of the Court. We have received and considered your email and the attachments outlining certain concerns that you wish to be brought to the attention of the Canadian Court. As Monitor, we have also sought information from the Applicants with respect to the concerns that you have raised.

Please be assured that the Canadian Court, including specifically Chief Justice of Ontario Morawetz, who is presiding over the CCAA Proceeding, has reviewed your communication and is aware of the situation. His Honour has asked the Monitor to include information on this communication in its Third Report to the Court. The Monitor will be doing so. Should we require further information from you in advance, or following the delivery of that Third Report, we will reach out directly with any specific questions we may have.

Thank you.

D.J.



D. J. Miller | DJMiller@tgf.ca | Direct Line: +1 416 304-0559 | Thornton Grout Finnigan LLP | Suite 3200, TD West Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | 416-304-1616 | Fax: 416-304-1313 | www.tgf.ca

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From: armecofront . [mailto:armecofront@gmail.com]

Sent: Friday, February 28, 2020 7:27 AM

To: Lydian@alvarezandmarsal.com

Cc: mmackenzie@alvarezandmarsal.com; ahutchens@alvarezandmarsal.com; D. J. Miller <DJMiller@tgf.ca>; Rachel Bengino <RBengino@tgf.ca>

Subject: Material misleading found in Mr. Edward Sellers’ affidavit (Lydian Group)

Dear representatives and lawyers of Alvarez & Marsal Canada Inc.,

We are citizens of Armenia and concerned parties regarding Lydian Group's mining activities in Armenia as mining affects the environment and economy of the whole country. We are also self-organized in a volunteer environmental watchdog group.

We have seen the Motion Record of Lydian Group's Lawyers including Lydian Group's CEO Edward Sellers' affidavit of December 2019, and we find it of utmost importance to inform you (representatives and lawyers of the Monitor) as well as Honorable Chief Justice Morawetz **of the factual misrepresentations and therefore material misleading found in Mr. Edward Sellers' affidavit of December 2019.**

Although we have found over two dozen instances of factual misrepresentations, we submitted only three important points in our letter to Chief Justice Motawetz.

Hereby, we forward you the documents sent to the Honorable Chief Justice, and we hope that you will also share this information with other concerned parties, including the Royal Court of Jersey.

We are certainly ready to submit further clarifications upon request.

Yours sincerely,

Arpine Galfayan, on behalf of

Armenian Environmental Front (AEF) Civil Initiative

Website: <http://www.armecofront.net/>

YouTube channel: <http://www.youtube.com/user/armecofront>

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001.303.324.6948/aamaest@gmail.com
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MEMORANDUM

To: Harry Bronozian, MS; Chemical/Environmental Engineer
From: Ann Maest, PhD; Buka Environmental
Date: 11 December 2019
Re: Missing elements and underestimation of risk in Lydian's 2019 NI 43-101 technical report

Introduction

Lydian has published a revised NI 43-101 technical report (Lydian International, 2019; "Technical Report") for the Amulsar Project in Armenia. The Canadian National Instrument (NI) 43-101 Standards of disclosure for mineral projects is a set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by, companies listed on stock exchanges in Canada. The focus of the NI 43-101 is disclosure with professional accountability, and the core principles rest on the Qualified Person, using standards and best practices, and producing a Technical Report (TMX and Ontario Stock Exchange, 2018). A Qualified Person must meet certain ethical, education, and experience requirements.

The revised Technical Report claims higher reserves based on a re-evaluation of existing information with no additional drilling. It is unclear if the projected environmental effects are based on a similar re-evaluation or simply reflect past reporting.

An "advanced property" is required to discuss environmental studies, permitting, and social or community impact in its Technical Report because water, tailings, and waste are critical areas of project risk (TMX and Ontario Stock Exchange, 2018, p. 107, 113). The disclosure essentials for advanced projects also stress the importance of obtaining and maintaining the "social license" to operate. The environmental risks of the Amulsar Project and the lack of a social license are seriously underrepresented in the Lydian (2019) Technical Report. I present information on these two topics in the memorandum, with a focus on environmental risks.

Environmental Risks

The Qualified Person for the NI 43-101 report is responsible for communicating the project risks and clearly report on the material risks in a manner understandable to investors (TMX and Ontario Stock Exchange, 2018, p. 19). The NI 43-101 further requires that public reporting of technical information is clear, transparent, balanced, not misleading, and based on reasonable, clearly explained assumptions. Public reporting must also be unbiased and identify the potential risks and uncertainties (TMX and Ontario Stock Exchange, 2018, p. 22).

Risks Related to Acid Rock Drainage are Misleading and Not Based on Clearly Explained Assumptions

Acid mine or acid rock drainage is widely acknowledged as the most important and serious environmental and water quality risk associated with hardrock mining operations such as the Amulsar Project (see, e.g., U.S. Department of Agriculture, 1993). Lydian has acknowledged that acid rock drainage (ARD) at the Amulsar Project is a risk for the waste rock (barren rock storage facility, or BRSF), the pit wall rock, and the pit backfill (Lydian, 2019, p. 1-16). The extent of the risk, however, is downplayed in Lydian's Technical Report:

“Using industry-practice mitigation measures, the ARD has been shown to have no significant local or regional water quality impact (Wardell Armstrong, 2016).” (Lydian, 2019, p. 1-16)

While methods to minimize ARD generation are described in Lydian's report (see, e.g., for the BRSF on p. 18-8 and 18-9), Lydian does not describe how these methods will result in “no significant...impact” of ARD or whether or not the methods are industry best practice, as required by NI 43-101 (throughout TMX and Ontario Securities Commission, 2018).

Encapsulation is Lydian's primary method proposed to “prevent the generation of ARD” from the BRSF (Lydian, 2019, p. 18-9). The GARD Guide, a compilation of industry best practice for ARD management, discusses the use of acid-consuming materials in encapsulation.¹ However, Lydian is not proposing to add acid-consuming (i.e. neutralizing) material to the BRSF for encapsulation. Instead, Lydian is assuming that compaction from truck traffic and the presence of argillic clay minerals will seal off the acid-generating waste rock from contact with infiltrating water or melting snow (Lydian, 2019, p. 18-9). The waste rock in the BRSF and the pits will likely be the largest source of ARD from the Amulsar Project, and the Technical Report presents a plan for increased reserves, which will result in the production of more waste rock (p. 1-1).

According to Lydian (2019, p. 25-32), Golder produced a seepage model “showing the encapsulation to be an effective ARD mitigation measure” that would reduce seepage to 2 L/s during spring runoff at the 50% base-case condition.² This mid-range calculation does not represent potential high-flow conditions under which the seepage rate would be higher than 2 L/s. The 2019 Golder report is not available on either the Lydian International or Lydian Armenia websites, and from the title it does not appear to be related to ARD mitigation. Lydian also uses the Technical Report to summarize new information on ARD geochemical characterization that is not available on their websites (GRE, 2019, discussed below). Therefore, the NI 43-101 requirement for transparency and clearly explaining the material risks and associated uncertainties is not met for this important claim about preventing or minimizing one of the largest risks associated with the Amulsar Project.

An independent third-party review of Lydian's most recent Environmental and Social Impact Assessment (ESIA; Wardell Armstrong, 2016) was conducted by ELARD and TRC (2019). An assessment of Amulsar's ARD potential was conducted by GRE in 2017 (GRE, 2017). The ELARD and

¹ GARD Guide, Chapter 6, Section 6.6.3.5. http://www.gardguide.com/index.php/Chapter_6

² The Golder report referred to is Golder (2019). Amulsar Project Site Wide Water Balance - Revision 2. Lakewood, Colorado: Golder Associates Inc.

TRC (2019) review calls the GRE assessment “misleading,” because, among other reasons, it “underestimates the potential for ARD generation and the associated water quality, environmental impacts, and water treatment requirements” (ELARD and TRC, p. 27). A more recent ARD assessment by GRE (2019) is cited in Lydian (2019), but this document is not available on Lydian’s website.³ Because the report is not publicly available, it is unclear if it addresses the increased planned production and generation of acid-generating material. However, the geochemical testing result figures in the 2019 Technical Report are identical to those in the 2016 ARD Management Plan submitted with the 2016 ESIA.⁴ Therefore, it must be assumed that no new geochemical testing has been conducted on the additional waste rock produced from mining the additional reserves. Underestimating acid generation and contaminant leaching potential will underestimate the severity and extent of environmental impacts and result in proposing inadequate mitigation measures, including water treatment approaches (Prabhakar-Fox and Lottermoser, 2015). Because once ARD forms it can continue for centuries, such underestimates can have potentially long-term consequences and can notably affect the economics of Lydian’s operation.

The ELARD and TRC (2019) review is mentioned in Lydian’s Technical Report (see, e.g., p. 4-13). Parts of the ELARD and TRC (2019) review are on Lydian Armenia’s website (only as a “rough translation”), with responses from Lydian, the expert group (ELARD), and the RA Investigative Body.⁵ However, the full review by ELARD/TRC is not on their website, nor is the list of TRC’s recommended mitigation measures (TRC, 2019), most of which Lydian agreed to. These omissions are an example of low transparency by Lydian, and the reports should be included in a corrected NI 43-101 report. The list of recommended mitigation measures is on the RA Investigative Committee website,⁶ as is the ELARD/TRC review.⁷ These important documents should also be put on Lydian’s website to meet the transparency requirements of NI 43-101.

In the response document³ the conclusion by the Republic of Armenia Investigating Body rests on the following statement “...if Lydian planned mitigation and closure measures and the above supplemental and contingent mitigation measures are adequately and verifiably planned, modeled, designed, implemented, operated, monitored, and maintained during the operation and post closure phases, the environmental risks to nearby water resources (groundwater, and major rivers and springs) should be manageable.” This refers to the “about 16 mitigation measures recommended by ELARD/TRC.” In other words, the Armenian government is stating that they will have more confidence in the environmental behavior of the Amulsar Project if these mitigation measures are implemented and maintained. However, Lydian does not mention the mitigation measures in their Technical Report and has not accounted for the increased costs of implementing the recommended mitigation measures. This omission from Lydian’s NI 43-101 is serious and should be corrected in a revised NI 43-101 that transparently states what the mitigation measures are and how much it would cost to

³ The only 2019 document listed or available on Lydian’s websites is the 2019 NI 43-101 report. See:

<https://www.lydianinternational.co.uk/projects/amulsar/technical-reports>

⁴ See, e.g., Figures 25-5 and 25-8 – 25-12 in the 2019 Technical Report.

⁵ Republic of Armenia (rough translation):

https://www.lydianarmenia.am/img/uploadFiles/5814d2c3e43b82fcedeInvestigativeCommittee_Analysis_FINALENG.pdf

⁶ <http://investigative.am/images/2019/lidian/porcaqnutyun/amulsar.pdf>

⁷ <http://www.investigative.am/images/2019/lidian/porcaqnutyun/amulsar11.pdf>

adequately and verifiably plan, model, design, implement, operate, monitor, and maintain them during operation and through to post-closure.

Risks and Costs Related to Mine Water Treatment are Underestimated

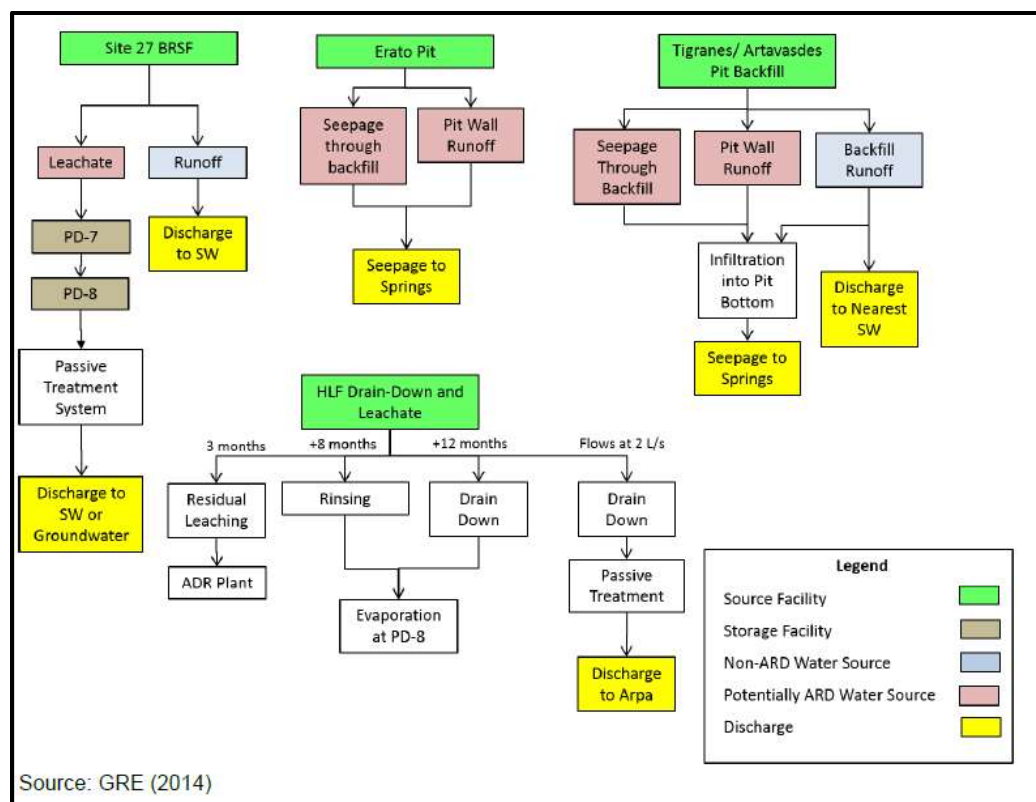
As noted, the ELARD and TRC (2019, p. 27) review states that the ARD assessment for Amulsar underestimates the potential for water treatment requirements. Lydian has contradictory statements in its Technical Report and other documents about the need and costs for mine water treatment during operations and closure. These assumptions and omissions and the lack of specificity translate to a lack of transparency and increased risk for investors.

Lydian believes mine water treatment will be needed for the BRSF in Year 4, which is during operations, and for the heap leach facility (HLF) in Year 15, which is during closure (Technical Report, p. 21-10). However, no costs are included for water treatment during operations, with the exception of a single line item for workers' potable water (p. 21-6). The Technical Report mentions capital and operating costs for passive mine water treatment in the closure section (p. 21-10) and says treatment costs are included in closure costs (Table 21-10), but the values are only presented on an annual basis with no specificity about what is included or excluded.

Lydian states in its response letter to the government of Armenia (Lydian Armenia, 2019) that leachate from the BRSF will not need treatment during closure because the cap system will "prevent any rainfall" from contacting waste rock – thus reclassifying BRSF runoff as non-contact water during closure. It is highly unlikely that the cap and evapotranspiration layer mentioned will be 100% effective, yet this is Lydian's assumption. Figure 26-16 in the Technical Report (reproduced as Figure 1 below) shows passive treatment of BRSF and HLF leachate during closure but no capture or treatment of runoff from these facilities. The figure also shows that leachate from Erato and Tigranes/ Artavasdes pit backfill and walls will not be treated during closure. Lydian assumes that the backfill will be 100% non-acid-generating ("NAG"; Lydian Armenia, 2019) and will not leach metals or other mine contaminants to the environment in concentrations that could create water quality risks. This assumption contradicts waste rock leach test results, is overly optimistic, and is not accounted for in contingency measures or costs.

Lydian issued a response letter to the ELARD and TRC (2019) review (Lydian Armenia, 2019). The letter states "...the Company commits not to discharge any untreated contact water from the site to the environment" (emphasis added). Lydian's definition of contact water is too limited. The Technical Report divides water at the mine into three categories: contact, impacted, and non-contact, with "impacted" water including runoff from haul roads, crushing, the conveyor, non-acid generating waste rock, and topsoil stockpiles. Runoff that contacts ore (from the crusher and conveyor) and waste rock is considered *contact* water and is normally sent to the contact water pond for monitoring and treatment. Lydian declares, without requiring monitoring, that "impacted" water will be lumped with non-contact water because "...this water is assumed to not require additional treatment⁸ prior to release to the environment." (Lydian, 2019, p. 18-13). By creating a term and a non-standard definition, Lydian is again underestimating risks and costs for mine water treatment that will be needed at Amulsar.

⁸ beyond sediment management



Source: Lydian, 2019, Figure 25-16.

Figure 1. Leachate management during closure for the Amulsar Project. Note that BRSF runoff and pit wall and backfill leachate will be discharged to the environment without treatment during closure.

Further, Lydian contradicts itself later in the Technical Report by saying that all water coming into contact with waste rock, pit walls, or spent ore is considered contact water and will require treatment (p. 25-28):

“Furthermore, the water quality from all barren rock and from the spent heap leach material is not expected to meet regulatory discharge standards without treatment and management. As a result, all water coming into contact with barren rock, pit walls, or spent HLF material is considered contact water and must be managed accordingly”

The inconsistencies in the Technical Report are an indication that Lydian has not carefully evaluated the characterization of mined materials and is at best confused about the types of mine water that will be generated and the extent and type of treatment that will be required.

Lydian assumes for purposes of water treatment, that the Upper Volcanics (UV) material will not generate acid (Technical Report, p. 25-16). According to Table 25-12 in the Technical Report, most waste rock in the BRSF will be from “NAG” UV and colluvium material, and the backfill will be an even split of UV/colluvium and Lower Volcanics (LV) material. An inadequate number of longer term (kinetic) tests were run on UV waste rock. The three UV kinetic tests shown in Figure 25-8 demonstrate that two tests were prematurely stopped, and the one that continued beyond 20 weeks did produce acidic leachate with a pH below 6 (cutoff for acidic leaching according to the industry-

sponsored GARD Guide).⁹ The Technical Report also describes three categories of LV waste rock: strongly, mildly, and non- acid generating (p. 25-26 – 25-27). However, the pH values produced for all categories are acidic, with the “NAG” category producing “pH with a leachate of ~4.8.” More testing is needed, but the limited results suggest that “NAG” waste rock, which will be placed in the BRSF and as backfill in the pits, will generate acid. As noted, contact water runoff and leachate from pit walls and backfill will be discharged to the environment without treatment.

Regardless of whether acid is produced, waste rock can release metals and other mine contaminants. The short-term leach test results showed that waste rock leached concentrations of barium, copper, iron, manganese, nickel, and sulfate that approached or exceeded regulatory discharge standards (Technical Report, p. 25-21). The limited static and kinetic testing results strongly imply that, especially with longer leach times, waste rock leachate will require collection and treatment well into closure.¹⁰ Lydian assumes only limited treatment of BRSF draindown water will be needed during closure and post-closure.

Lydian commits “...to apply active treatment if its passive treatment system fails to ensure the necessary result” (Lydian Armenia, 2019). In the letter, Lydian mentions using lime dosing of contact water prior to passive treatment as an “active” treatment approach, if needed, yet this approach is not mentioned in the Technical Report, which post-dates the letter. In a broader sense, Lydian does not include contingency costs for active treatment, which will be substantially more expensive than passive treatment, in the Technical Report.

Costs for mine water treatment need to be more clearly described in a revised Technical Report, and assumptions about the need for treatment need to be better supported. Including realistic costs for treatment of all contact water during operation, closure, and post-closure will increase costs and could change Amulsar from the “low cost” operation touted by Lydian to a higher cost mine with higher environmental risks.

Social License to Operate

Obtaining and maintaining a social license to operate is a critical element for mines (TMX and Ontario Securities Commission, 2018, p. 114). The license to operate in this context must be granted by the communities and has been ranked as the number one business risk for the mining sector in 2019/2020 (Mitchell, 2018).

Lydian states in its Technical Report that “... local people are generally supportive of the project.” (p. 1-16). At the same time, as they note, “A continuous illegal blockade at Amulsar has been in place since 22 June 2018, causing construction activities to be suspended since this date. Access has generally been limited to activities related to contractor demobilization and winterization.” (p. 1-17).

⁹ www.gardguide.com/index.php?title=Chapter_2

¹⁰ It is worth mentioning that the leach test Lydian used underestimates leachate concentrations because it uses a 20:1 water:rock ratio. The U.S. state of Nevada uses a leach test with a 1:1 water:rock ratio (the Meteoric Water Mobility Procedure) that is more appropriate for an arid or semi-arid climate. Lydian refers to climate similarities between Amulsar and Nevada (Lydian, 2019, p. 21-10) but chose a leach tests with too much dilution.

Communities are often split about mining due to concerns about the environment and their traditional, pre-mine livelihoods versus new, potentially higher paying jobs. Regardless of the local consensus on the project, Lydian stated in June 2019 that it has lost more than \$60 million since the protests began (in one year; Bacchi, 2019).

Ongoing protests would continue to risk the financial success of the project, and lack of financial success threatens environmental compliance, especially for a company like Lydian that has no prior experience in the sector. A failure in environmental compliance that risks the health or safety of communities or the environment will likely restart the protests. Lydian is proposing a Community Support Recovery Plan, and costs have been included in its G&A costs in their Technical Report (p. 20-32). But the plan and the proposed audits will not necessarily stop the blockades. The impact of future protests and blockades has not been factored into Lydian's financial disclosure. As noted in its Table 26-1 Project Risks, Lydian acknowledges that the ongoing problem with its social license to operate would only move from Critical to High with the implementation of the Community Support Recovery Plan. Given the failure of Lydian and the government to stop the ongoing protests, it seems their prediction may be overestimated, and the risks would be Critical for the foreseeable future.

Summary

Lydian's 2019 NI 43-101 Technical Report underestimates risks, costs, and associated uncertainties for its Amulsar Project and in so doing fails to adequately meet the disclosure, professional accountability, and transparency requirements of NI 43-101. The information in the Technical Report contradicts the statement of no identified risks (except ability to secure permits) on p. 1-10 and strongly suggests that development of the project will be affected by known (based on limited waste characterization results) and unknown (because of a lack of adequate waste characterization) environmental and social risks. The risks will result in higher operational and closure costs than estimated by Lydian. Importantly, all waste rock produced at the site will generate acid, according to Lydian's limited geochemical testing results. A revised NI 43-101 Technical Report should be completed that addresses these inadequacies and includes appropriate costs.

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APPENDIX D

March 19, 2020

VIA EMAIL

Arpine Galfayan
Armenian Environmental Front Civil
Initiative
5 Spendiaryan str. apt. 24,
Yerevan, Armenia
armecofront@gmail.com

Dear Sir/Madam:

Re: In the Matter of Lydian International Limited et. al. (“Lydian”)
Court File No.: CV-19-00633392-00CL

As mentioned in our email dated March 7, 2020 in response to yours dated February 28, 2020, we act as counsel to Alvarez & Marsal Canada Inc. in its capacity as court-appointed Monitor (the “**Monitor**”) of Lydian International Limited and certain of its subsidiaries pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA Proceeding**”) pending before the Ontario Superior Court of Justice (the “**Court**”). We have made Chief Justice of Ontario Morawetz, who is the presiding judge in the CCAA Proceeding, aware of your correspondence dated March 10, 2020, and he has reviewed your communication. The Court has directed the Monitor to report on the issues raised in your email dated February 28, 2020 in its next report to the Court, which the Monitor will do.

The Court has asked the Monitor to advise you that, if the Armenian Environmental Front (“**AEF**”) Civil Initiative wishes to raise any issues, make submissions or take any position in respect of Lydian’s actions, it must prepare, serve and file a Notice of Appearance with the Court. In order to do that, you may want to retain counsel in Canada to assist you. Here is a link to the form of Notice of Appearance that is to be prepared, pursuant to the *Rules of Civil Procedure*: <http://ontariocourtforms.on.ca/static/media/uploads/courtforms/civil/38a/rcp-38a-e.pdf>.

Parties are not permitted to communicate directly with the Court. Any future correspondence that you wish to send to the Monitor and any Notice of Appearance you prepare must be sent to the entire Service List of interested parties in the CCAA proceeding and filed with the Court. That is the hallmark of the open and transparent forum adopted by the Court in CCAA proceedings. The Service List of parties that you will need to serve with any materials, including your Notice of Appearance, can be found on the Monitor’s website, which is accessible here: <https://www.alvarezandmarsal.com/content/lydian-service-list>.

Please refer to paragraph 46 of the enclosed Endorsement of Chief Justice Morawetz dated March 13, 2020. His Honour has specifically requested that the AEF Civil Initiative electronically serve (on the entire Service List) and file with the Canadian Court all materials that you wish to be brought to the attention of the Canadian Court, in accordance with the Ontario *Rules of Civil Procedure*.

Yours truly,

Thornton Grout Finnigan LLP

"D.J. Miller"

[electronic signature]

D.J. Miller

Enclosures

APPENDIX E