



Lydian International

17 March 2009

Lydian International pushes back the frontiers

The Tethyan fold belt is one of the principal geological features in the northern hemisphere. Extending from Central Europe and northern Africa across Turkey and the middle East to the Himalayas and then on to the Far East and Indonesia, it marks the point where Africa, Arabia and India collided with the Eurasian plate on their drift northwards and closed up the Tethys Ocean that lay between them in Triassic times.

Stretching as it does across so many countries and cultures, many of which have been centres of political and geological upheaval over the centuries, the Tethyan belt is perhaps the least explored of all the earth's major geological systems. Which is why Lydian International describe themselves as "taking exploration and development to new frontiers..."

Certainly in Armenia and Kosovo, the current focus of Lydian's activity, being frontiersmen has been more than worthwhile. The company acquired its first gold project shortly after formation, in March 2006, when it secured 95% of the Amulsar gold project in central Armenia – the 5% balance being held by a local partner. Within two months, they had attracted the attention of Newmont Mining, and the Caucasus Joint Venture was born – a 50/50 venture between Lydian and Newmont's subsidiary Newmont Overseas Exploration Ltd to explore for copper and gold in the region. Lydian's initial contribution to the JV was Amulsar, whilst Newmont contributed their Muratdag nickel-gold project in western Turkey.

Exploration has proceeded apace at Amulsar, which, although a known quartzite-silica deposit from Soviet times, was a virgin gold discovery in 2006 during reconnaissance chip sampling by Lydian's geologists. Defined as a high sulphidation epithermal gold system hosted in silica-alunite hydrothermal breccia, Amulsar underwent geochemical sampling in 2006 and 2007, which identified an area anomalous for gold some 3.5 km long and at least 0.5 km wide running along and parallel with a mountain-top ridge. Followup scout drilling showed higher grade gold in steeply dipping oxidised breccia bodies, which are surrounded by shallowly dipping oxidised structures containing lower grade gold.

Amulsar contains three current targets – named after the ancient Armenian rulers Tigranes, Erato and Artavasdes – and although the main focus thus far has been on Tigranes, the most recent round of drilling completed last November shows that mineralisation extends to the south west into the Artavasdes structure. Tim Coughlin, Lydian's President and CEO explained: "It appears as though gold mineralisation is continuous from the Tigranes to Artavasdes prospect areas over a distance of at least 1km and remains open and untested towards the south."

Results from this latest programme were some of the most encouraging yet, including 135m at 2.3g/t gold (including 17m at 5.3g/t and 17m at 9.6g/t gold), 71m at 3.1g/t gold, and 96m at 1.4g/t gold (including 20m at 3.2g/t gold). Lydian have now drilled almost 13,000 metres at Tigranes and Artavasdes, and although the system is still open in most directions, and at depth, the assay results already demonstrate clear potential for a bulk tonnage operation to take in both high and low grade mineralisation. Metallurgy is excellent, with heap-leach tests showing up to 97% recovery. In addition,

Price: \$C0.40

Market Cap: \$C15.95m

1 Year Share Price Graph



Share Information

Code: LYD
Listing: TSX
52 week High: \$C0.65
52 week Low: \$C0.11

Sector:

Website: www.lydianinternational.com

Company Synopsis:

Lydian International Ltd. is a diversified UK mineral exploration and development company, with expertise employing "first mover" strategies in international emerging environments. Currently the Company is focused on Eastern Europe in the Western Balkans and the Caucasus regions, advancing a pipeline of highly prospective precious and base metal projects. In the Caucasus region Lydian is operating an exploration joint venture with Newmont Overseas Exploration Ltd. a subsidiary of Newmont Mining Corporation. The Company's two flagship projects are a newly discovered gold project at Amulsar in Armenia, and an advanced zinc, lead, silver and gold project at Drazhnje in Kosovo. Lydian's two largest share holders are Newmont Mining Corporation and the International Finance Corporation (part of the World Bank Group).

Author:

Wendy Durham +44(0)1202 770386
action@proactiveinvestors.com



new geochemical findings, coupled with further scout drilling have pinpointed several new targets which could increase the mineralisation both to the north and south of existing prospects, over a total area of some 5 square km.

“These latest results provide some indication of the overall size potential at Amulsar” said Tim Coughlin. “During 2008 we concentrated most of our drilling effort in evaluating a relatively small area of the Amulsar license with the aim being to identify the basic controls on gold mineralisation and develop a preliminary resource.

“We now believe the project covers a substantially larger area. Gold mineralising systems such as Amulsar can take some time and a lot of drilling to resolve true tonnage potential. Our experience from Tigranes has been that where we find gold at surface it can continue to down-hole depths in excess of 150m. We are hoping to find similar continuity at Artavasdes, Erato and at the new targets identified by these recent results.”

In Kosovo, new minerals licensing regulations introduced by UNMIK in 2005 have opened up much of this mineral-rich province for exploration after a hiatus of over 20 years. Lydian, through a 100% owned subsidiary, Kosovo Resource Company Ltd, has three exploration licenses in Kosovo, covering the advanced Dražnja polymetallic Pb-Zn-Ag project in eastern Kosovo, the Crepulje Pb-Zn prospect in northwestern Kosovo and the Rahovec Ni-Cu/precious metals prospect in the west central part of the province.

Dražnja is the most advanced of these, a two-level underground exploration project that has also been extensively drilled from the surface, but was abandoned in the late late 80's with the onset of ethnic unrest.. Historic exploration activities identified a number of variably exposed northwest trending massive sulphide bodies. Drilling and underground sampling led to the estimation of a Yugoslav resource (not JORC compliant) of 4.7Mt at 4.9%Zn, 2.4%Pb and 45ppm Ag in categories A + B + C1 and a further 2Mt at 5.8%Zn, 3.2%Pb and 45ppm Ag in category C2. Lydian's main thrust with this project is to confirm the historic resource to JORC compliant standards, and to discover extensions to the known mineralised bodies.

Unlike many cash-strapped exploration juniors at the present time, Lydian International appears to have little difficulty in raising sufficient finance to pursue its objectives. At the end of January the World Bank's International Finance Corporation (IFC) agreed its third equity investment, raising C\$1.4 million for Lydian. A month later, Lydian announced the signing of a strategic investment of C\$1.6M from the European Bank of Reconstruction and Development for the purposes of current and new projects in the Western Balkans. Both investments have been priced at market, and are accompanied by warrants with exercise prices at a premium ranging from 25-40% which will raise further cash in the future. Following the two placements, which are still subject to shareholder and other approvals, IFC will hold 18% of Lydian International, whilst the EBRD's holding will be 8.1%. Tim Coughlin commented: “The investment comes at a time of turbulent markets when refinancing-risk is a dominant factor undermining investor confidence in the resource sector. The total investment from IFC and the EBRD will be sufficient to support Lydian's activities at its current projects this year.”

Although Lydian is a Channel Islands based company, it chose to list on the Toronto exchange, which it accomplished in January last year by reversing into cash shell Dawson Creek Capital. Current market cap, before the aforementioned placings are completed, is approximately C\$16 million, with 40 million shares in issue (fully diluted 55 million.) Of these, Newmont hold 13% and the directors own a healthy 18.4%. The company has no debt – nor convertible loan notes – and at the end of January, had over C\$3 million in the bank. Once the new funding arrives, Lydian will be in an enviable position compared with many of its peers.

It's not easy to get a handle on the value of Lydian International, as there are currently no recognised resources at any of the projects, although the company is about to release an inferred resource at Amulsar. Typically, Amulsar type systems are found in either volcanic or orogenic settings, often in mountainous terrain, and are large in both area and tonnage. They are invariably low overall grade – with high grade hotspots - and low cost. The most comparable in size might be Barrick's La Pierina, but the best known and largest example is Yanacocha in the Peruvian Andes....similar geology, similar geographical setting, and – coincidentally? - 51% owned by Newmont Mining.

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Contact us ■ +44 (0)1202 770386 ■ action@proactiveinvestors.com ■

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