LYDIAN INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and December 31, 2017

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DIRECTORS
Mr. Russell Ball, Non-Executive Director and Chairman of the Board
Mr. Willan Abel, Non-Executive Director
Mr. Stephen J. Altmann, Non-Executive Director
Dr. Gillian Davidson, Non-Executive Director
Mr. Eugene Davis, Non-Executive Director
Mr. Timothy Read, Non-Executive Director
Mr. Edward Sellers, Non-Executive Director
Mr. João Carrêlo, Director

OFFICERS
Mr. João Carrêlo, President and Chief Executive Officer
Mr. Douglas Tobler, Chief Financial Officer
Mr. Andrew Kaczmarek, Chief Operating Officer

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The accompanying consolidated financial statements, notes thereto, and other information in Management's Discussion and Analysis of Lydian International Limited and its subsidiaries (the "Company"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgments and policies that it believes appropriate in the circumstances.

The Company maintains a system of internal accounting controls that provides, on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Company's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of four directors, all of whom are independent, and meets periodically with Management and the external auditors to review accounting, auditing, internal control, and financial reporting matters.

The consolidated financial statements have been audited by Grant Thornton LLP, Chartered Professional Accountants, Licensed Public Accountants who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

"João Paulo Simões Carrêlo" (signed)
João Paulo Simões Carrêlo
President and Chief Executive Officer

"Douglas Tobler" (signed)
Douglas Tobler
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lydian International Limited

Opinion

We have audited the consolidated financial statements of Lydian International Limited ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and December 31, 2017, and the consolidated statements of profit (loss) and comprehensive profit (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the illegal road blockades caused the construction activities to be suspended since June 22, 2018. These events have substantially restricted access to capital and caused conditions to occur that may be deemed events of default by the Company's senior lenders, stream financing providers and equipment financiers. The Company has entered into forbearance agreements with these parties and continuation as a going concern is dependent upon continuation of funding under these agreements. As stated in Note 1 in the consolidated financial statements, these events or conditions, along with the matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin**.**

Signed “Grant Thornton LLP”

Toronto, Canada
March 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of US Dollars)

	Notes	As of December 31, 2018	As of December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,386	$ 53,937
Restricted cash	5	1,029	636
Other current assets	6	14,011	1,391
Total current assets		18,426	55,964
Non-current assets			
Mineral property, plant and equipment, net	7	355,833	360,789
Deferred financing costs	8	-	12,054
Other non-current assets	9	25,284	38,176
Total non-current assets		381,117	411,019
TOTAL ASSETS		$ 399,543	$ 466,983
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 4,533	$ 37,466
Stream liability and debt	11	297,030	15,684
Derivative liabilities	12	30,324	-
Total current liabilities		331,887	53,150
Non-current liabilities			
Stream liability and debt	11	-	173,030
Provisions	13	8,137	8,086
Deferred VAT payable		14,051	13,661
Derivative liabilities	12	-	39,429
Total liabilities		354,075	287,356
EQUITY			
Share capital	14	284,924	283,594
Employee share-based plan reserves		4,769	4,223
Translation of foreign operations		(18,479)	(18,528)
Accumulated deficit		(225,746)	(89,662)
Total equity		45,468	179,627
TOTAL LIABILITIES AND EQUITY		$ 399,543	$ 466,983
Going concern	1		
Commitments	25		
Contingencies	26		
Subsequent events	27		

On behalf of the Board of Directors:

"Russell Ball" (signed)
Russell Ball, Chairman of the Board

"Timothy Read" (signed)
Timothy Read, Chairman of the Audit Committee

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)

(expressed in thousands of US Dollars)

	Notes	For the year ended December 31, 2018	2017
Interest income		$ 411	$ 593
Total income		411	593
Blockade expense	16	42,027	-
Employee salaries and benefits expense	17	5,132	4,285
General and administrative expense	18	3,483	3,242
Depreciation and amortization expense		33	8
(Gain) loss on financial instruments fair value	12	(8,606)	18,281
Impairment of development asset	19	92,700	-
Other expense (income), net	20	1,726	(1,097)
Total expense		136,495	24,719
Loss before income taxes		(136,084)	(24,126)
Income taxes	21	-	27
Net loss		$ (136,084)	$ (24,153)
Net loss per share - basic and diluted	22	$ (0.18)	$ (0.03)
Other comprehensive loss:			
Net loss		$ (136,084)	$ (24,153)
Other comprehensive profit (loss):			
Currency translation adjustment		49	(56)
Total comprehensive loss		$ (136,035)	$ (24,209)

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of US Dollars)

	Notes	For the year ended December 31, 2018	2017
Cash from operating activities			
Net loss		$ (136,084)	$ (24,153)
Adjustments for:			
Interest and other financing costs	11	21,869	-
(Gain) loss on financial instruments at fair value, net	12	(8,606)	18,281
Share-based compensation	15	1,235	958
Impairment of development asset	19	92,700	-
Other operating write downs	20	1,454	-
Depreciation expense		3,270	8
Interest income		(411)	(593)
Other		65	(1,111)
Working capital changes:			
Change in other current assets		(241)	105
Change in accounts payable and accrued liabilities		1,565	241
Cash used in operations		(23,184)	(6,264)
Cash flows from investing activities			
Acquisition of mineral property, plant and equipment		(111,360)	(194,958)
Change in other non-current assets		(27)	(15,470)
Interest income received		411	593
Other		29	-
Cash used in investing activities		(110,947)	(209,835)
Cash flows from financing activities			
Proceeds from borrowings		95,452	122,851
Financing costs		(4,226)	(13,033)
Debt repayments		(7,079)	-
Proceeds from issuance of share capital		-	14,499
(Increase) decrease in restricted cash		(421)	8,442
Other		-	(1,013)
Cash provided by financing activities		83,726	131,746
Net decrease in cash and cash equivalents		(50,405)	(84,353)
Foreign exchange effect on cash		(146)	1,094
Cash and cash equivalents, beginning of year		53,937	137,196
Cash and cash equivalents, end of year		$ 3,386	$ 53,937
Supplemental cash flow information			
Interest paid		$ 4,492	$ 1,096
Income taxes paid		$ 17	$ 20

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in thousands of US Dollars)

		Reserves				
	Share Capital	Employee share option plan reserve	Restricted stock unit plan reserve	Translation of foreign operations	Accumulated deficit	Total
Balance as of December 31, 2016	$ 268,608	$ 2,625	$ 669	$ (18,472)	$ (65,509)	$ 187,921
Issue of shares for warrant exercise	14,499	-	-	-	-	14,499
Issue of new shares	418	-	(418)	-	-	-
Share based compensation	-	79	1,337	-	-	1,416
Attributable to expired options	69	(69)	-	-	-	-
Loss for the year	-	-	-	(56)	(24,153)	(24,209)
Balance as of December 31, 2017	$ 283,594	$ 2,635	$ 1,588	$ (18,528)	$ (89,662)	$ 179,627
Issue of new shares	$ 1,265	$ -	$ (1,265)	$ -	$ -	$ -
Share based compensation	-	16	1,860	-	-	1,876
Attributable to expired options	65	(65)	-	-	-	-
Profit (loss) for the year	-	-	-	49	(136,084)	(136,035)
Balance as of December 31, 2018	$ 284,924	$ 2,586	$ 2,183	$ (18,479)	$ (225,746)	$ 45,468

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

1. GENERAL INFORMATION AND GOING CONCERN

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, Francis Street, St Heller, Jersey JE2 4QE Channel Islands. Lydian's ordinary shares ("Ordinary Shares") are listed on the Toronto Stock Exchange ("TSX") and began trading under the symbol LYD on January 10, 2008. Certain warrants ("Public Offering - Warrants") began trading under the symbol LYD.WT on May 26, 2016 and ceased trading following expiration on November 27, 2017.

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

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

These consolidated financial statements were prepared on a going concern basis that assumes the Company continues and will be able to realize its assets and discharge its liabilities in the normal course of business. Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Gold Project. A continuous illegal blockade at Amulsar has been in place since June 22, 2018, causing construction activities to be suspended since this date. Access has generally been limited to activities related to contractor demobilization and winterization. The Government of Armenia has not enforced the rule of law to remove the illegal blockades at Amulsar and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has taken certain actions and failed to act on other matters. As a result, the Company incurred $42.0 million of blockade-related expenses during 2018. Such costs continue to be incurred and additional costs will be required to restart construction should access be restored. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by the senior lenders, stream financing providers, and equipment financiers. As a result, the Company entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers.

The Company's ability to continue as a going concern is dependent upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. It will also be necessary for the Company to continue to receive forbearance under the A&R Forbearance Agreement and funding under the Thirteenth Amending Agreement. Thereafter, the Company will be dependent upon the resumption of construction once the illegal blockades are removed, the Company's ability to successfully fund its cash obligations from external sources until construction is complete, and sufficient cash flows from operations being generated. Alternatively, sufficient funding will be required until a strategic alternative can be arranged, if at all.

While the Company has entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers, as a result of the actions and inactions of the Government of Armenia there is no assurance that the Company will be able to meet its obligations under the applicable credit or loan agreements with its senior lenders, stream financing providers, and equipment financiers and that the Company will avoid further events of default as contemplated under such agreements. There is a risk that the Company may not be able to receive forbearance from the same parties under the A&R Forbearance Agreement and as a result there is a risk that the Company will be in default under its agreements with its senior lenders, stream financing providers, and equipment financiers. During this forbearance period, Lydian will continue to engage with its lenders and stream financing providers to address the issues resulting from the illegal blockades while at the same time evaluating a range of strategic, financing, and legal alternatives.

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the A&R Forbearance Agreement, as a result of the actions and inactions of the Government of Armenia there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations or find an acceptable strategic alternative. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company’s ability to meet its obligations when due, and accordingly, continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write downs of the carrying values of certain assets.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, effective as of December 31, 2018, and interpretations of the International Financial Reporting Interpretations Committee.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as discussed in Note 12. All amounts are presented in thousands of US Dollars unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries”). Control is achieved where the Company is exposed to variable returns and can affect those returns through power to direct the relevant activities. All intercompany transactions and balances are eliminated in full upon consolidation.

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

Details of the Company's direct and indirect subsidiaries as of December 31, 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation or registration	Functional currency	Effective ownership interest	Principal activity
Lydian International Limited	Jersey	USD	100%	Intermediate holding company
Lydian Canada Corp.	Canada	USD	100%	Intermediate holding company
Lydian U.K. Corp.	United Kingdom	USD	100%	Intermediate holding company
Lydian U.S. Corporation	U.S.A.	USD	100%	Management company
Lydian International Holdings Ltd.	British Virgin Islands	USD	100%	Intermediate holding company
Lydian Resources Kosovo	British Virgin Islands	CAD	100%	Intermediate holding company
Lydian Resources Armenia	British Virgin Islands	USD	100%	Intermediate holding company
Lydian Armenia CJSC	Republic of Armenia	USD	100%	Mineral exploration and development
Lydian Resources Georgia Limited	Jersey	CAD	100%	Intermediate holding company
Georgian Resource Company LLC	Georgia	GEL	100%	Mineral exploration
Kavkaz Zoloto CJSC	Armenia	AMD	95%	Dormant company

Critical accounting estimates and judgments

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of certain assets, liabilities, equity, income and expenses in instances when valuation is not readily apparent from other sources. These judgments, estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

Certain events and transactions occurring during the years ended December 31, 2018 and 2017, required management to apply significant judgments or required the use of estimates, including:

Recovery of development assets and other long-lived assets – Management's review of impairment indicators included consideration of external and internal sources of information, including factors such as market, geopolitical and economic conditions, metal prices and forecasts, commercial viability, technical feasibility, and availability of permits.

The application of the Company's accounting policy for assessing impairment of development assets requires judgment. This includes the amount and timing of cash flows, reflecting estimates such as minable ore, additional mineral resources not included in minable ore, gold and silver prices, metal recovery rates, capital costs, operating costs, royalty and tax burdens, and the discount rate applied to future cash flows. Such estimates by management have not been reviewed by qualified persons as defined by NI 43-101. Each of these considerations and judgments applied by management in completing the impairment assessments represent key sources of estimation uncertainty.

Fair value of financial instruments – Fair value of financial instruments that are not traded on an active market and embedded derivatives are determined using alternative valuation techniques.

The Company entered into several financing agreements (the “Agreements”) that contained provisions giving rise to financial derivatives. These derivatives are accounted for at fair value and marked to market each reporting period thereafter. In determining fair value, management’s judgment is required in respect of input variables of the financial model used for estimation purposes. These variables include such inputs as the Company’s stock prices, stock price volatility, trading volumes of its warrants, risk-free rates of return, the credit-risk-premium, LIBOR terms and associated rates, availability of alternative financing, gold and silver price forward curves, gold and silver price volatilities, timing of future production, timing of draws upon financing facilities, timing of repayments of financing facilities, expected future LIBOR rates, timing of achieving commercial production, availability of positive cash flows from operations, and other factors. Management uses its judgment to select from a variety of valuation methods and utilizes assumptions deemed to be reflective of conditions at the end of each reporting period.

Asset retirement obligation – The Company’s calculation of rehabilitation and closure provisions relies on estimates of costs required to rehabilitate and restore land to appropriate post-operation condition. Key assumptions are reviewed regularly and adjusted to reflect current assumptions used to calculate these estimates. Significant judgment is required in determining the provision for mine closure and rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development and operating activity, changes in technology, price, and inflation rate, and interest rate changes.

Deferred Taxes – Until such time as the Company has certainty as to future profits, deferred tax assets and liabilities are not recognized.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. ACCOUNTING POLICIES

The accounting policies adopted, other than policies associated with changes in circumstances, are consistent with those of the previous financial year.

Foreign currency
The individual financial statements of each entity of the Company are prepared in the currency of the primary economic environment in which the entity operates (its “functional currency”). The consolidated financial statements are expressed in US Dollars, which is the presentation currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities which are denominated in foreign currencies are retranslated at rates prevailing at the reporting date and are recognized in the Consolidated Profit and Loss in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, at banks and other highly liquid short-term instruments with initial maturities of 90 days or less.

Restricted cash

Cash subject to restrictions that prevent its immediate use for general purposes is excluded from cash and cash equivalents. Restricted cash is separately reported as current or non-current depending on the expected disposition of the use restrictions.

Financial instruments (assets)

The Company's financial assets include:

- Cash and cash equivalents, restricted cash that are initially recorded at fair value and are subsequently measured at amortized cost;
- Receivables that are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses, and;
- Derivative assets that are originally recorded at fair value and subsequently remeasured at fair value with changes recorded through profit and loss.

Financial instruments (liabilities)

The Company's financial liabilities include:

- Accounts payable and accrued liabilities which are initially recorded at fair value and carried at amortized cost;
- Stream and debt which are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost using the effective interest method, and;
- Derivative liabilities which are originally recorded at fair value and subsequently remeasured at fair value with changes recorded through profit and loss.

The Company classifies financing arrangements giving consideration to cash flow characteristics, contractual terms and relevant business objectives. Financing arrangements are classified as a financial liability when all or a significant portion of the commitment can be settled in cash and, in management's judgment, other considerations are insufficient to support an alternative accounting method.

Derivatives, other than those deemed to be swaps, are accounted for at fair value on the inception date. Swap derivatives have a zero-fair value at inception as the strike price of the underlying variable will be equal to the market price. After inception, all derivatives are adjusted to fair value as of the financial statement date, with the amount of adjustment being recognized currently as a gain or loss in the statement of profit and loss.

Financing costs

Costs incurred for debt and equity arrangements are recorded as financing costs. Such costs include legal and accounting fees, fees from independent engineers, printing costs, investment banker or registration fees, agency fees, arrangement fees, and the fair value of derivatives resulting from such debt and equity arrangements. As proceeds from financing transactions are received, the associated costs are allocated to and reclassified against such financing arrangements. Financing costs associated with debt are expensed over time as interest expense using the effective interest rate method, unless capitalized during construction period. In the event that a financing effort is abandoned, or unsuccessful, allocable financing costs are charged to expense.

Refundable Value Added Tax
Value added tax is paid to the Armenian government for the provision of certain goods and services. Refundable value added tax is recoverable at the time of export sale or earlier through certain legislated provisions. The Company classifies refundable VAT as a current asset if the refund has been applied for and accepted by the government, all other refundable VAT is presented as a long-term asset.

Deferred Value Added Tax
Value added tax associated with import of certain equipment can be deferred for up to three years based on the Armenian regulation. On import, the Company records a long-term VAT receivable and a long-term VAT payable as the timing of the recoverability and payment are different. Subsequently, amounts are presented as current if the amount recoverable or due within one year from the reporting date.

Exploration and evaluation assets
Exploration and evaluation expenditures comprise costs incurred directly in exploration and evaluation, as well as the cost of mineral licenses. Such costs are capitalized as exploration and evaluation assets subsequent to acquisition of the licenses and pending determination of the feasibility of the project and an affirmative construction decision by the Company.

Development costs
Expenditures are considered to be development costs when the work completed supports the future development of the property through the issuance of a technical report, in accordance with NI 43-101, and such development decision receives appropriate Board approvals. In addition to economic viability, the Board also considers the ability to obtain commercial financing and the Company’s ability to execute within time and cost limitations. The Company’s Amulsar Gold Project is a development asset.

Development costs are capitalized and include costs directly related to bringing the mine to production. Development costs include:

- costs of exploration reclassified to development once economic recoverability is demonstrable and development is approved by the Board;
- environmental assessment and permitting costs;
- costs to acquire surface rights;
- construction in progress, including advances to contractors;
- asset restoration and rehabilitation costs;
- interest costs; and
- other costs directly associated with mine development.

Costs incurred during long periods of work stoppage are expensed as incurred, unless such costs provide a direct benefit toward project development. As assets are placed in service, costs are transferred to plant and equipment.

Restoration and reclamation
Provisions for reclamation and closure cost obligations represent management's best estimate of the present value of the future expenditures required to settle the obligation which reflects estimates of future costs, inflation rates, changes in foreign exchange rates and assumptions of risks associated with the future expenditures, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Changes in the above factors can result in a change to the provision being recognized. An asset retirement obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation or development. Costs are estimated on the basis of a closure plan and are subject to periodic review. Decommissioning and site reclamation costs are discounted to present value when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs will be charged through depreciation and/or depletion of the asset and unwinding of the discount on the provision.

Capitalized interest
Interest costs are capitalized for assets that require a significant amount of time to prepare for their intended use, which includes the Amulsar Gold Project. Capitalization ceases when the asset is available for use in the manner intended by management, or if active development is suspended. The amounts capitalized represents the borrowing costs specific to those borrowings used to finance construction of the Amulsar Gold Project.

Impairment of development assets
The Company reviews and evaluates the carrying value of its development assets for impairment when events or changes in circumstances create indicators that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. Furthermore, management's estimates of many of the factors relevant to completing this assessment, including gold and silver prices, foreign currency exchange rates, interest rates, mineral resources and mineral reserves, recovery rates, capital and operating costs and reclamation costs, also involve significant judgement and are subject to risks and uncertainties that may further affect the determination of the recoverability of the carrying amount.

If any such indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the recoverable amounts of the Company's development assets, the Company uses the fair value less costs to sell approach until such time as a value in use can be determined. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. When there is no binding sales agreement, fair value less costs to sell is estimated as the discounted future pre-tax, post royalty cash flows expected to be derived from the asset, less an amount for costs to sell estimated based on similar transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. When discounting estimated future cash flows, the Company uses a discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit and loss for that period. Impairment is assessed at the level of cash-generating units ("CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Plant and equipment

Plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit and loss.

Depreciation of plant and equipment is based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life and during construction is charged to development costs, otherwise to expense. Depreciation commences when the assets are substantially completed and ready for their intended use. The estimated useful lives are as follows:

Machinery and equipment	7 - 10 years
Motor vehicles	3 - 5 years
Office equipment	3 - 5 years

Impairment of plant and equipment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of plant and equipment at the date the impairment is reversed does not exceed what the cost less accumulated depreciation would have been had the impairment not been recognized.

Share-based compensation

Equity-settled awards, including share options and restricted stock units, are measured at fair value at the date of grant and recognized, over the vesting period, based on the Company's estimate of equity settled awards that will eventually vest, along with a corresponding increase in equity. Compensation costs for the Option Plan and RSU Plan are recorded in share-based compensation expense unless directly attributable to a development asset, in which case such costs are capitalized.

Under the Company's Stock Option Plan ("Option"), amounts related to expired and exercised options are transferred from share-based compensation reserve to share capital when the related expiration or exercise takes place.

Under the Company's Restricted Stock Unit Plan ("RSU"), awards can be either equity or cash settled upon vesting at the discretion of the Board of Directors. As the Company does not have a present obligation to settle in cash, the awards are treated as equity-settled instruments. The vesting terms for RSUs are specific to each individual award as determined and approved by the Board of Directors. The fair value of the RSUs are recognized over the vesting period specific to the grant. On redemption of the RSUs, the accumulated amount in the reserve is credited to share capital.

Blockade expense
Costs incurred during long periods of work stoppage do not directly relate to bringing the mine to production and are therefore expensed.

Taxation
The Company has minimal taxable profit. Until such time as the Company has certainty as to future profits, deferred tax assets and tax liabilities are not recognized.

Operating leases
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Net profit (loss) per share
Net profit (loss) per ordinary share is calculated by dividing the net profit (loss) attributed to shareholders for the period by the weighted average number of ordinary shares outstanding during the period. Diluted profit (loss) per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares using the treasury stock method.

Segment information
The Company has identified its operating segments based on the internal reports that are reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. The CODM considers the business from a geographic perspective and assesses the performance of geographic segments based on measures of profit and loss as well as assets and liabilities. These measures include operating expenditures, expenditures on exploration and development, plant and equipment, non-current assets and total debt, if any.

The Company operates under a single geographic segment engaged in mineral exploration and development in the Caucasus region. Financial information is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

As of January 1, 2018, the Company adopted changes to accounting standards IFRS 2 – Share-based Payments, IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

IFRS 2 – Share-based payments
The Company has adopted the amendments to IFRS 2, *Share based payments*. The amendments clarify the accounting treatment for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The Company evaluated the change in this standard and there was no impact from the adoption.

IFRS 9 – Financial instruments
The Company has adopted IFRS 9, *Financial instruments*. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The standard promulgates a single approach for the classification of financial assets, based on a) the business model used to manage financial assets in order to generate cash flows, and b) the cash flow characteristics of those financial assets.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. The Company classifies cash, cash equivalents and receivables at amortized cost and the derivative asset at FVTPL.

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39, all fair value changes on liabilities designated under the fair value option were recognized in profit (loss). Under IFRS 9, those fair value changes are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income (loss) ("OCI") and (ii) the remaining amount of change in the fair value is presented in profit (loss). The Company classifies accounts payable, accrued liabilities, stream and debt at amortized cost and the derivative liabilities at FVTPL.

Transition to IFRS 9
In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. On adoption of IFRS 9, there were no differences in the carrying amounts of the Company's financial assets and financial liabilities.

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

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

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

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

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

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

5. RESTRICTED CASH

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

6. OTHER CURRENT ASSETS

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

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

7. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

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

See Note 19 for details on the development asset impairment.

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

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

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

8. DEFERRED FINANCING COSTS

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

9. OTHER NON-CURRENT ASSETS

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

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

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

11. STREAM LIABILITY AND DEBT

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

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

Amended and Restated Forbearance Agreement (A&R Forbearance Agreement)
The Company entered into the A&R Forbearance Agreement on December 21, 2018 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to: (a) continue to temporarily suspend all principal and interest payments due and payable (provided that interest shall accrue on all principal and interest during the forbearance period at a rate which is 2% per annum higher than the rate which would otherwise have been payable), and (b) continue to forbear from declaring or acting upon, or exercising default related rights or remedies under such creditor's financing agreement with respect to certain events of default, in each case, until the earlier of (a) June 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the A&R Forbearance Agreement. In January 2019 through an amendment to the Company's existing Term Facility Agreement ("Thirteenth Amending Agreement"), the senior lenders committed to make available up to $18.6 million to fund the Company during the forbearance period and allow it to maintain a minimum unrestricted cash balance. See Note 27 for subsequent amendments.

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

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

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

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

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

- The Ameriabank Term Facility has a maximum principal amount of $24.0 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% (10.75% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Interest and commitment fees are payable quarterly and principal payments become payable quarterly beginning June 30, 2019. As of December 31, 2018, $10.0 million was drawn on this facility. Principal and interest payments of $1.8 million were paid during the year ended December 31, 2018. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

- The Cat Term Facility has a maximum principal amount of $42.0 million and is secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5% (6.5% during the forbearance period) and there is a 1.5% commitment fee on any undrawn portion. Each advance is repayable over a 72-month term, inclusive of a six-month initial repayment grace period. The facility also requires a three-month principal and interest debt service reserve. As of December 31, 2018, $28.4 million was drawn on this facility. Principal and interest payments of $3.6 million were paid during the year ended December 31, 2018. Availability of funds is subject to satisfaction or waiver of certain conditions. The Company is precluded from utilizing any remaining availability by the A&R Forbearance Agreement.

- The ING Term Facility has a maximum principal amount of $50.0 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95% (4.95% during the forbearance period) and there is a 2% commitment fee on any undrawn portion. Each advance is repayable over a 51-month term, with repayment of the first advance beginning in June 2019. As of December 31, 2018, $48.0 million was drawn on this facility. Interest payments of $1.7 million were paid during the year ended December 31, 2018. No additional funds can be drawn under the ING Term Facility as the availability period has expired.

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

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

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

12. FINANCIAL INSTRUMENTS

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

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

	Derivative Assets (Liabilities)					
	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Public Offering Warrants	Loan Fee Warrants	Gain (Loss)
Fair Value Hierarchy Level[1]	3	3	3	2	2	
Fair value at December 31, 2016:	$ 1,308	$ (21,178)	$ 6,284	$ (4,261)	$ (512)	
Change in fair value	1,481	(5,850)	(18,353)	4,261	180	$ (18,281)
Fair value at December 31, 2017:	2,789	(27,028)	(12,069)	-	(332)	
Change in fair value	(499)	5,052	3,769	-	284	$ 8,606
Fair value at December 31, 2018:	$ 2,290	$ (21,976)	$ (8,300)	$ -	$ (48)	
Sensitivity impact upon fair value at December 31, 2018:						
10% increase in gold price[2]	$ 1,381	$ (2,236)	$ (10,012)	N/A	N/A	$ (10,867)
10% increase in silver price[2]	$ 129	N/A	$ (812)	N/A	N/A	$ (683)
10% increase in 3-month LIBOR rate[2]	$ 20	$ (1)	$ (125)	N/A	N/A	$ (106)

[1] The levels of the fair value hierarchy are defined as:

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

13. PROVISIONS

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

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

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

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

14. SHARE CAPITAL

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

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

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

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

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

15. SHARE-BASED COMPENSATION

Restricted Stock Unit Plan

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

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

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

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

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

Stock Option Plan

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

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

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

16. BLOCKADE EXPENSES

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

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

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

17. EMPLOYEE SALARIES AND BENEFITS EXPENSE

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

18. GENERAL AND ADMINISTRATIVE EXPENSE

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

19. IMPAIRMENT OF DEVELOPMENT ASSETS

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

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

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

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

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

20. OTHER (INCOME) EXPENSE, NET

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

21. INCOME TAXES

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

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

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

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

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

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

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

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

22. NET LOSS PER SHARE

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

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

23. FINANCIAL RISK MANAGEMENT

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

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

Capital Management

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

The capital required for the development of the Amulsar Gold Project was raised through the issuance of ordinary shares and associated warrants, deposits received in connection with the stream liability, and proceeds from debt. The net proceeds raised are used to advance the development of the Amulsar Gold Project and provide sufficient working capital to meet the Company's ongoing obligations. Access to available funds under the existing financing arrangements have been restricted by the Company's senior lenders due to the Government of Armenia's failure to take action in relation to the illegal blockades at the Amulsar site that are preventing the Company from completing construction. The Company has entered into an A&R Forbearance Agreement as discussed in Note 11 and other agreements as discussed in Note 27. Access to additional funds from the senior lenders during the forbearance period are limited and are subject to satisfaction or waiver of certain conditions. The Company will need additional funds for completion of the Amulsar Gold Project or other alternatives. The Company may be able to issue additional shares, restructure the existing debt, negotiate additional funding from the stream or incur additional debt subject to market conditions. However, the Company's Financing Agreements limit the amount of additional indebtedness. Consent of certain lenders would be required to increase the stream liability or the debt limitation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk

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

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

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

The below table shows the Company's balances:

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

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

Liquidity risk

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

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

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

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

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

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

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

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

Fair value of financial assets and liabilities

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

24. RELATED PARTY TRANSACTIONS

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

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

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

25. COMMITMENTS

Leases

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

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

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

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

26. CONTINGENCIES

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

27. SUBSEQUENT EVENTS

Amendments to existing agreements

A&R Stream Agreement

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

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

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

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

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

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

Thirteenth Amending Agreement

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

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

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

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

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