

# LYDIAN INTERNATIONAL

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CORPORATE BROCHURE





# Gold from Armenian mines

Lydian International is focusing all its energies on Armenia this year, where its prospects are looking better with each month that passes



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he nervousness of institutional investors when invited to involve themselves in resources that are in the CIS states as opposed to, say Australia or South Africa, has paid off for UK-based Lydian. Back in 2005 the company, which is listed on the Toronto Stock Exchange, discovered a viable source of gold bearing ore in central Armenia in the kind of location exploration companies dream about; and set about developing it in a joint venture partnership with Newmont Overseas Exploration.

In March 2010, however, Lydian International bought out Newmont's interest in a move that Lydian's president and CEO Dr Tim Coughlin described as the most significant juncture in the company's history since its discovery of the project in 2005. Lydian now owns 100 per cent of its local Armenian subsidiary Geoteam.





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The Amulsar licences, covering some 113 square kilometres, are close to the main road from the capital Yerevan and Nor-Areik in the south of the country (where Lydian has further licences awarded in June 2010 that it is currently starting to test-drill). The infrastructure at Amulsar was extremely favourable to the establishment of a mine: the main road is flanked by high tension electricity lines; water is available from the Vorotan River and the Spandaryan reservoir; and a major gas pipeline between Iran and Yerevan, which passes some four kilometres to the east of the project, is currently in the final stages of construction. A fibre optic internet cable was laid during 2010 and a small hydro-electric plant is currently under construction on the Vorotan River—both very close to Amulsar. This may be a former Soviet republic; but few completely new discoveries come with so many facilities on tap.

But funding a venture like this is a results-driven process and needs to be supported by more than just a hunch that gold is present in viable quantities. Lydian has drilled a total of 46,000 metres, and early in April 2011 was able to announce that it had a resource established to CIM (Canadian Institute of Mining) standards of 2.5 million ounces of gold—1.1 million in the Indicated category, based on intensive sampling; and 1.4 million Inferred, or based on a geological estimate plus limited sampling.

Upgrading the resource was a major boost to the company’s standing, and the catalyst for a decision to shift operational focus entirely to Armenia and sideline for the time being its interests in Kosovo. “The resource is what we call ‘open in all directions’,” says Coughlin. “So it is an interim resource with a lot more potential than has already been logged. We are drilling a further 30,000 metres this year and we are engaged in a bankable feasibility study [BFS] which will take it through to our production deadline in 2014.”

The momentum of this project is accelerating. Apart from all the drilling work being carried out for Lydian by International Drilling Services, which will be bringing three new rigs onto the site this year, the schedule for 2011 includes a lot of feasibility work, engineering

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feasibility study  
”

studies, options studies, metallurgical studies and important environmental and social work.

Coughlin is adamant that the social and environmental licence to operate is as important as the permissions to explore and then exploit the resource. “There’s no use having a mining licence if you don’t have a social licence,” he says. “We work very closely with environmental consultants and with international finance corporations like the World Bank, and that side of the business is run by our environmental and social manager, Dr Armen Stepanyan.” The World Bank is a minority shareholder in Lydian International through its investment arm, the International Finance Corporation (IFC), and serves as an effective monitor on environmental and social compliance; however, Lydian has its own very active environmental and social programme.

Environmental monitoring started in 2007 with analyses of surface water in surrounding rivers. Over time the programme was complemented with sampling of groundwater, air (including dust concentration), soil, and noise and biodiversity studies. All Lydian’s environmental and social programmes are agreed with the IFC as complying with international best practice. They serve as a basis for both the BFS and the environmental and social impact assessment (ESIA), currently being conducted by UK-based consultants Wardell Armstrong International.

On the social side a community liaison officer visits each of the three main local towns, Saravan, Gndevaz and Gorayk, at least once a week. The main benefit to the community has of course been employment—about 90 local people are employed at Amulsar. Other social responsibility projects include improvements to irrigation and domestic

water, donating a water sanitiser, organising rubbish collection, establishing tree nurseries and a library, mending roads, and donating a centrifuge to the local medical centre. Additionally Geoteam has a plan to assist in bringing natural gas to Saravan from the gas main a couple of kilometres away.

Armenia is quite different from the other former Soviet republics, says Coughlin. It is a member of the World Trade Organisation and a member of the International Centre for the Settlement of Investment Disputes and has a very commercial outlook. “That has a lot to do with the fact that while 3.5 million Armenians live in the country there’s another six million in the diaspora. It works in a kind of reverse osmosis whereby they bring back Western-style business practices. In any case, Armenians have been known for a long time for being highly sophisticated in business and entrepreneurship.”

Regulation in Armenia is light in CIS terms, he adds. “In 2003 when Armenia modified its mining laws to attract foreign investment, it was awarded the Mining Journal Award for the most advanced mining regime in the CIS and it has maintained that path in helping foreign investors to get established. Deadlines are tight to dissuade speculators from horse trading property: they expect you to get into production as soon as you can.” But as the CEO of a company with a long term commitment to its Amulsar and Nor-Arevik operations, this doesn’t worry Coughlin. Not only will the mine be operational by 2014, but the ore will be processed on the site itself. [www.lydianinternational.co.uk](http://www.lydianinternational.co.uk) BE



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