



LYDIAN
INTERNATIONAL



GEOTEAM



AMULSAR PROJECT



GUIDE FOR LANDOWNERS AND LAND USERS



LAND ACQUISITION AND COMPENSATION

2015 February

1. THIS GUIDE

This Guide has been prepared by Geoteam to inform landowners and land users that are potentially affected by land take necessary to build and operate the Amulsar Mining Project. The Guide is intended for information purposes only.

2. THE AMULSAR PROJECT

The Amulsar Project is a new gold and silver discovery made by Lydian in 2006. It is located in two separate provinces, or 'Marzer', in South East Armenia, namely Vayots Dzor Marz and Syunik Marz. The Amulsar deposits are located on the top of Mount Amulsar. The mining process will be open pit and the extraction of the gold and silver will be carried out using heap leaching technology.

Three main village communities are present in the immediate project area. These are Saravan and Gndevaz, situated in Vayots Dzor Marz, respectively approximately 5 km southwest and 7 km west of the deposit, and Gorayk located in Syunik Marz, approximately 5 km southeast of the deposit. Jermuk, a resort and spa, is located about 8 km to the north of the Project.

Open pit mining of the Amulsar deposit is planned over a period of about 11 years and will cover the Artavasdes, Tigranes and Erato ore bodies.

The proposed Heap Leach Facility is located on the western side of Amulsar Mountain, approximately 1.2 km south of Gndevaz at its closest point, and approximately 6km in a direct line from the open pits. This site will also include collection ponds and the gold recovery plant.

Access to the site will be via a partially existing road which links to the main road linking Gndevaz and Jermuk. The road will continue east up the valley and will become the main access for construction, operation and maintenance of the heap leach facility. The existing power lines, which run down the western edge of the site, will be used to provide site power and a new electrical substation will be built.

The crusher will be located 1km to the north of the Erato pit, as well as maintenance workshops and offices, all adjacent to the current exploration camp. An overland conveyor will take the crushed ore to the heap leach facility. A

suitable route has been identified over approximately 8 km between the crusher and the heap leach facility. The conveyor will be covered to avoid dust. A road will be constructed near the proposed conveyor route to provide vehicular access for maintenance of the conveyor as well as access to the crusher and production infrastructure at the top of the mountain. Fibre optic lines, water and power lines will also be located in this corridor to minimise land disturbance.

The Amulsar Project is developed by Lydian International (Lydian), a British company specialising in exploration and mine development, and Geoteam CJSC, an Armenian company fully owned by Lydian international. The International Finance Corporation (IFC), the private sector arm of the World Bank Group, and the European Bank for Reconstruction and Development (EBRD) each own about 7% of Lydian International.

Geoteam applied for mining permit on 29 July and received the mining right from the RA Ministry of Energy and Natural Resources on 26 November 2014.

More information on Lydian International, Geoteam CJSC and the Amulsar Project is available at: www.lydianinternational.co.uk (in English) www.geoteam.am (in Armenian).

More information is also available at the Amulsar Information Centre (AIC) in Gndevaz.

3. PROJECT LAND IMPACTS

Land that will be required for construction and operation of the Amulsar Mining Project is located in the communities of Gndevaz and Saravan. There is some land affected in the community of Gorayk but it is all State land and no private landowners or land users will be affected.

A portion of the land that will be required for the Project will be needed for the period of mining only (approximately 13 years). This is particularly the case for the mining pits, the conveyor between the crusher and the heap leach facility, and some of the waste rock storage areas, in the communities of Gndevaz and Saravan. Upon mine closure, such land will then be re-contoured, restored and transferred to community ownership for communal use as pasture or forest land, with some safety restrictions that will be defined at the time of the land hand-back.

The heap leach facility (located in the territory of Gndevaz) will be restored but will not be usable because of slope and other safety restrictions. This land needs to be acquired permanently.

While the mining pits are located high on the Amulsar mountain on State- or Municipality-owned land, the conveyor, the access roads, and the heap leach facility will all affect private land plots. Most of these land plots are located in the territory of Gndevaz, with a few located in the territory of Saravan.

The following number of private land plots and the surface area that will be affected by the Project:

- Heap leach facility: about 280 private land plots
- Conveyor from the crusher to the heap leach facility: about 30 private land plots;
- Access road: about 20 private land plots.

4. LAND ACQUISITION PRINCIPLES FOR THE AMULSAR PROJECT

The Project's two shareholders IFC and EBRD both apply stringent land acquisition and compensation standards, known respectively as Performance Standard 5 (IFC) and Performance Requirement 5 (EBRD). Geoteam is committed to implement all land acquisition activities in conformance with these standards, in addition to Armenian law.

Geoteam's strategy for land acquisition and access is based on the following principles:

- The Project will comply with Armenian law and international standards (IFC PS5 and EBRD PR 5).
- Physical displacement is avoided (Project facilities avoid all residential areas, and nobody will have to move as a result of the Project).
- Compensation for private land and crops is paid before land is taken and is calculated at replacement value.
- Land is purchased from private owners in normal sale-purchase transactions.
- Affected standing crops (both trees and annual crops) are compensated at replacement value.
- Orphan land, i.e. land that is severed or bisected so that the remaining portion of the parcel becomes uneconomic and/or unviable, is compensated.
- The land acquisition process (identification of affected plots and owners/users, sale-purchase agreements) is managed by Geoteam CJSC.
- All sale-purchase agreements are registered.
- A land-for-land option is available to those willing to choose replacement land rather than monetary compensation.
- Affected people have access to a grievance mechanism (see details at the end of this Guide).
- Vulnerable people are identified and if required are provided with additional assistance during and after the land acquisition process.
- Impacts to livelihoods that might arise as a result of the land acquisition process are monitored and mitigated if needed.

5. LAND ACQUISITION PROCESS FOR THE AMULSAR PROJECT

The process of land acquisition includes the following six main steps:

1. Identification of affected land plots, landowners and land users, including informal land users, based on cadastral information, and title search and gathering of all legal documentation (land titles, leases, mortgages, liens, certificates of death and wills to determine inheritance, powers of attorney);
2. Socio-economic survey of affected landowners and land users;
3. Inventory of assets on the affected plots, including structures, trees, and crops;
4. Compensation offer to the affected landowner, and land user if applicable;
5. Signature of the land Sale-Purchase Agreement, 10% of the land value and crop compensation (the “First Payment”) received by the landowner, transfer of the land title to Geoteam's property, and the remaining 90% of the land value, crop compensation and structure value (if applicable) (the “Final Payment”) received by the landowner.

5.1 Identification and Title Search

The identification of affected land owners is based on official data provided by the State Cadastre of the Republic of Armenia. These data include:

- The cadastral number (unique cadastral code) of the land plot.
- Its surface area.
- The names of the owner (or co-owners if the property is held under joint co-ownership).
- Liens, mortgages, and other legal specificities, if applicable.
- The land category (arable, non arable) and other information pertaining to the calculation of the cadastral value.

Based on this information, Geoteam has established a list of all affected plots. Geoteam's project footprint is superimposed on the cadastral map to establish exactly what plots are affected.

5.2 Socio-Economic Survey

All owners, co-owners, and land users that reside in the nearby communities are submitted to a socio-economic survey. Its purpose is to establish the current socio-economic circumstances of every affected household, in line with international requirements. It addresses the following topics:

- Census of people residing in the affected household
- Social and economic information.

This survey has started in June 2014 and is implemented by a team of local enumerators. While the affected family is visited by the team for socio-economic survey, they are also

invited to present the land title of the affected plot as well as their passports and marriage certificate. Where one of the registered co-owners is deceased, an inheritance certificate, or at least death certificate, will also have to be presented to the team, such that further steps to register the interests in the property can be defined.

5.3 Inventory

At the same time (June and July 2014) an inventory of affected plots is conducted by an independent valuer and an independent agronomist, both experts in their respective areas. This is meant to describe the plots as well as any structures, trees and crops thereupon.

5.4 Compensation Offer and Land Sale-Purchase Agreement

Based on the inventory and in conformance with valuation methodologies prescribed in Armenian law and international standards, a valuation of the plot is prepared. This is done at “replacement value”, meaning that the compensation must be sufficient to allow the affected landowner to replace the lost land plot with a similar one in the same area. Trees are also valued such that the loss of income resulting from the loss of the tree is compensated.

In cases where the landowner does not use the land and there is a different land user, land compensation will be offered to the landowner, while crop and tree compensation will be offered to the land user. This also applies to land users farming on municipal land.

- Geoteam will propose to affected landowners to enter into a Land Sale-Purchase Agreement. As per the agreement, Geoteam shall pay the landowners 10% of the land value, crop compensation and structure value (if applicable) (the First Payment), which will be paid after the agreement is signed and notarised (as provided in the Agreement) [X] days. The land will then be transferred in Geoteam's ownership. The remaining 90% of the land value and crop compensation (the Final Payment) shall be paid to the landowners by a date stated in the Agreement.
- The Company plans to make full payments for land plots (land, crops, and structures) that are valued at less than or around AMD 500,000. This approach is based on relatively small amount of compensation.
- If the transaction does not proceed due to Geoteam's decision or if the landowner does not receive the Final payment by the above mentioned date, the land plot will be returned to the landowner; he/she will keep the First payment.

5.5 Finalisation of the Transaction

In conformance with regulations, all payments will have to be made by bank transfer into the accounts of the respective beneficiaries (owner, co-owners, land user, as applicable) in the name of the beneficiary. You will be requested to present bank information at the time that the Agreement is signed. If you do not have a bank account you will be assisted to establish one. In case spouses are co-owners and only one of the spouses has a bank

account, the other spouse will have to open an account as compensation for one of the spouses cannot be paid to the other spouse (unless they have a joint account certified as such by the bank). No compensation will be paid in cash.

If the recipient is a physical person, Geoteam will withhold and pay applicable taxes.

6. CALCULATION OF COMPENSATION

Compensation rates are calculated by an Armenian professional valuer in compliance with Armenian law and international requirements.

The details of the calculation (land, crops and trees, buildings) will be included in the Agreement mentioned above. In case you need detailed explanations, please do not hesitate to lodge a question through the Amulsar Information Office in Gndevaz, or using the call numbers mentioned at the end of this Guide.

6.1 Land

Land is valued separately from crops, trees and buildings or structures that may exist on the land plot. For valuation of crops, trees and buildings see below paragraphs 5.2 and 5.3.

All land to be acquired by Geoteam is agricultural. There is no industrial or residential land.

Valuation of each land plot is done by the “comparative method”, whereby relevant real transactions are identified in the area based on official information. These real transactions are analysed (type of plot, category of land, location). Then each affected plot is inspected and compared to the characteristics of the real transactions. For example, access, slope, presence of irrigation, presence of stones, are taken into consideration. A calculation is then made to arrive at a value per m² for the land plot, which is multiplied by the surface area. Details of the land valuation will be included in writing in the Compensation Offer.

6.2 Crops and Trees

In the area to be acquired by Geoteam, there are annual crops (wheat, barley, potato, maize, etc.), garden crops, and apricot and other fruit trees,

Annual and garden crops are valued at market value. Compensation for annual crops is calculated based on counts made in each plot in summer 2014.

Apricot and other fruit trees will be valued to compensate for the loss of income incurred by the land owner or land user. Trees will be categorised by variety and age and there will be a value for each category of age, which is based on the average productivity of the tree and the average wholesale market price of the produce.

Compensation for annual crops and trees will be paid to the actual land user. In some cases the land user is different from the landowner. Where this is the case, the land owner will receive the compensation for the land, and the land user will receive the compensation for the crops.

6.3 Buildings

Compensation for any structures and developments on land (irrigation, drainage) is valued on a case-by-case basis and will be paid to the proven owner of such structures and developments, who could be either the landowner or land user depending on the situation. Ownership will be based on statements by the landowner and land user and may be ascertained with local authorities and neighbours in case of disputes.

6.4 Land-for-land option

For those landowners, who will prefer replacement land instead of monetary compensation, Geoteam will offer land plots in an area located in North Gndevaz. The landowners will get cash compensation for the crops and trees, and a replacement land against the compensation for their land. They will be able to use the suggested land plots for various agricultural purposes, including planting trees.

The suggested land plots for land for land option have been identified in Northern Gndevaz. The Company will provide support to develop an irrigation system in that area.

6.5 Transaction Cost

All transaction cost (notaries, registration, taxes) will be paid for by Geoteam.

In cases where some landowners or co-owners are absent from the site, Geoteam will be happy to support the cost of establishing and notarising Powers of Attorney, including apostills for people residing outside of the CIS, based on reasonable proof of cost incurred.

Any photocopies can be done free-of-charge at the Amulsar Information Office in Gndevaz.

7. COMPENSATION RATES

Compensation rates have been communicated during the consultation meetings with the landowners since August 2014. The compensation rates were revised based on feedback from landowners,

All information on the land acquisition is provided in the Land Acquisition and Livelihood Restoration Plan (LALRP) prepared in January 2015. It is a comprehensive document that provides details on land acquisition process, describes the compensation calculation method and includes tables with compensation rates for land and crops.

8. DISTRIBUTION OF COMPENSATION BETWEEN OWNERS, CO-OWNERS, AND LAND USERS

8.1 Compensation for Land

Compensation for land is always paid to the registered owner (or registered co-owners). Where there are several registered co-owners, compensation for land is shared amongst these co-owners. Compensation for land is shared equally if there is no mention of a specific share distribution in the land title, or according to the share mentioned in the land title if applicable.

Note that in cases where there has been a sale of the land that was not registered, it will be your responsibility to register this sale. Otherwise we will not be able to pay the compensation.

8.2 Compensation for Crops and Trees.

Compensation for crops and trees is paid to the individual actually farming the land, who may be the same from the landowner or not depending on the situation.

Where the owner and the actual user of the affected land plot is the same individual, this person receives compensation for both land and crops.

Where land is farmed by a land user different from the landowner, the landowner receives the compensation for land, and the land user receives the compensation for crops and trees. If there is a specific written or verbal arrangement between the landowner and land user on share of land income, we'll need to know about such agreements such that we can take account of them in the compensation share.

Where municipal or other publicly owned land is privately used by a farmer, the land user receives compensation for crops, subject to presenting a lease or similar land use agreement. This information is checked with the relevant authorities.

8.3 Compensation for Buildings and Other Structures

Similarly to crops and trees, compensation for buildings and other structures on land is paid to the person who actually erected these structures. Depending on cases, this can be either the landowner (or one of the co-owners), or the land user.

8.4 Land for Land Compensation

Upon request to our teams, you can receive compensation in the form of a replacement land plot rather than money. Municipal land has been identified in Northern Gndevaz for this purpose. An irrigation system will be put in place. Please seek details from our teams if you are interested.

9. DECEASED OWNERS

In some cases, the registered owner may have passed away, and the new owner or co-owners have not been registered yet. In such cases, Geoteam will ask you to present the certificate of death of the deceased owner (or co-owner), and assist you to register the new owner or co-owners. Compensation for land will be paid to the newly registered owner (or co-owners).

10. VULNERABLE PEOPLE

Some people may be less able to participate in consultation and negotiations or to benefit from compensation, because, for example, of old age handicap, or special needs. Geoteam recognises that: these people are specifically identified and will be assisted as needed, in cooperation with local authorities.

11. DOCUMENTS THAT YOU NEED TO PRESENT TO OUR TEAMS

Please present the following documents (we'll take care of the photocopies at the Amulsar Information Office in Gndevaz):

Landowners (for all co-owners identified in the cadastral register):

- Passport.
- Marriage certificate.
- Land title certificate.
- Certificate of death.
- Certificate of inheritance.
- Power of attorney for people who are not present and cannot sign the agreement (see model of Power of Attorney in Appendix 4 to this Guide).

Land users:

- Passport.
- Proof of the fact that you are a land user on a given plot, such as, for example, lease agreement with landowner (these documents will be verified with the landowner).

In specific cases where the landowner or land user is a corporate entity, incorporation documents will have to be submitted to allow Geoteam to enter into agreements with the individuals duly authorised to represent the corporation.

12. FURTHER INFORMATION

The Amulsar Information Centre in Gndevaz is available for you to seek additional information on the Project in general, and the land acquisition process. In the Centre, you will find staff that is available to respond to your queries, you can lodge a formal grievance, provide additional information or documents needed for the land acquisition process. You can also obtain documents, like this Guide and other documents about the Project.

13. GRIEVANCES

If you have a grievance, query, or concern, please inform us so that we can respond and solve the issue! Do not rely on hearsay and rumours, which may not always be correct. Seek the right information directly from Geoteam.

Geoteam has put in place an amicable grievance mechanism to manage and redress grievances:

- All grievances are registered, reviewed and responded to: our grievance coordinators follow up and receipt is acknowledged within 7 calendar days, and responded to within 30 calendar days;
- The grievance management mechanism includes amicable grievance review and resolution;
- In cases where the aggrieved individual or group is not satisfied with the outcome proposed by the amicable mechanism, they are able to resort to Justice at any stage in the resolution process.



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If you have a question, query or grievance, please first visit the Amulsar Information Office in Gndevaz. Your question or query may be answered right away. If this cannot be the case, it will be registered and conveyed to the relevant individual in Geoteam's office in Yerevan. You can also call Geoteam's Community Liaison Officer Aram Parunakian at 077 404714 or the Company switchboard in Yerevan at 010 58 60 37, or send an email to: info@geoteam.am.