



Lydian International Ltd: Now On the Radar Screen

A Monday Morning Musing from Mickey the Mercenary Geologist

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This past winter I wrote about a favorite company that was “flying under the radar” At that time, Lydian International Ltd (LYD.T) was little known for a variety of reasons: It had been a public company for just over a year; it operates out of Jersey, a British protectorate in the Channel Islands with a competitive tax regime; it has regional offices in Yerevan, Armenia and Prishtina, Kosovo; and other than a Toronto Stock Exchange listing, a director, and an investor relations office in that city, it does not have a North American presence. Lydian’s projects are based in Eastern Europe and the company was just starting a concerted marketing effort. It was easy to understand why the average North American junior sector investor had never heard of Lydian International Ltd.

My how things have changed in a short seven months!

I suggest you review my previous musing on Lydian International for background on the company’s share structure, people, and projects ([Mercenary Musing, February 16, 2009](#)).

Recently I was fortunate to visit Lydian’s flagship Amulsar gold deposit in southern Armenia. The company currently has three drill rigs on the property and is delivering significant assay results to the marketplace.

More on that later; let’s start with review of the 52 week chart:

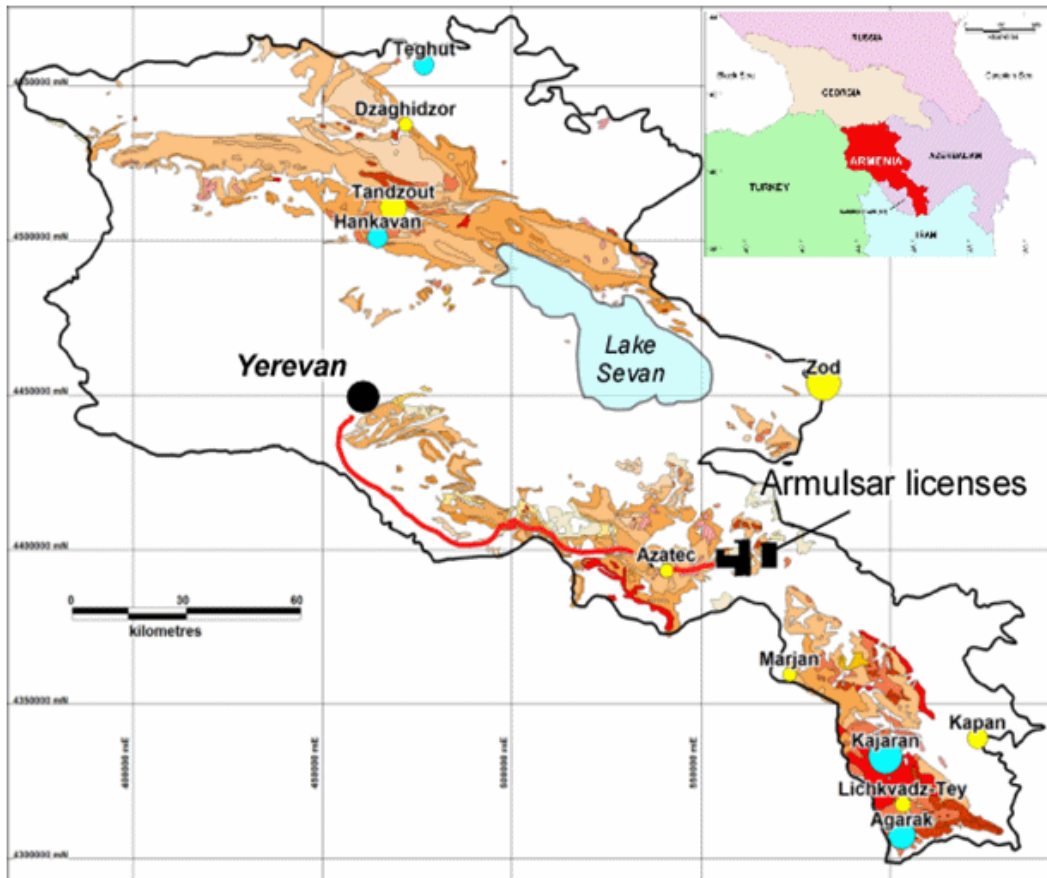


It's evident that Lydian was illiquid from the beginning of the year until early May. That's when company principals began a concerted marketing effort with a Toronto-based IR firm, Pro-Edge Consultants, and a series of road shows in Toronto, the Eastern Seaboard of the US, and Europe. Influential investors heard the story and obviously liked the company's share structure, people, and projects. In addition, CEO Tim Coughlin appeared on audio and video interviews with Al Korelin and yours truly ([March 3, 2009](#); [April 1, 2009](#); [September 21, 2009](#)). The marketing program paid off with light but steady volume and by mid-summer, LYD.T had built a very nice base in the 40c range.

Initial drill results from the company's flagship project, Amulsar, has provided the impetus for sharp rises in volume and share price in early August and base-building in the low 60c to low 70c range since then.

Meanwhile, Lydian raised \$3.0 million thru a strategic equity financing with influential international institutions including the financing arm of the World Bank and the European Bank of Reconstruction and Development. Combined with their previous working capital, these moneys were designated for drill-out of its Amulsar gold project in southern Armenia and exploration in the Western Balkans region. The company now has 47.2 million shares outstanding and is tightly held with the International Finance Corporation controlling 18.0%, Newmont Mining 11.0%, the EBRD 8.0%, and corporate insiders 14.7%.

The Amulsar project is located in the Caucasus Mountains of southeastern Armenia and the exploration license covers 113 sq km in an area of high sulfidation, epithermal gold mineralization. It is held 95% by Lydian Resources Armenia and 5% by the company's local partner. The project is part of Lydian's Caucasus Joint Venture with Newmont Overseas Exploration Ltd.



Amulsar Project Location, Southern Armenia.

Amulsar is 240 km from the capital city of Yerevan, located on the now-paved Silk Road, and has two high power electrical lines, a gas pipeline, a water pipeline, and fiber optic cable transecting the exploration licenses. The project is in a largely uninhabited mountainous area along a seven km long ridge that reaches an elevation of about 3000 m with an arid climate, treeless mountains, and a late spring to early fall drilling season. Two small villages in the vicinity lend a ready supply of local labor.

Folks, that is excellent infrastructure for a project in an emerging market country.

You have heard CEO Tim Coughlin tell me this before: Amulsar was discovered in just his second day in country “by driving past it going somewhere else”.

Here are the impressive altered outcrops that Tim saw from the Silk Road in mid-2005:



View of Amulsar outcrops from the Silk Road with power line in foreground.



CEO Tim Coughlin and Mickey Fulp at silica-barite-iron breccias on the Silk Road.

You should note that none of these highly colored rocks in the first photo are gold bearing; they represent the clay-iron altered zone below silicified outcrops that are hidden behind the ridge. It's really never as easy as we geologists tend to make it sound since it took nearly a year for Lydian's geologists to find the gold-bearing zones at Amulsar.

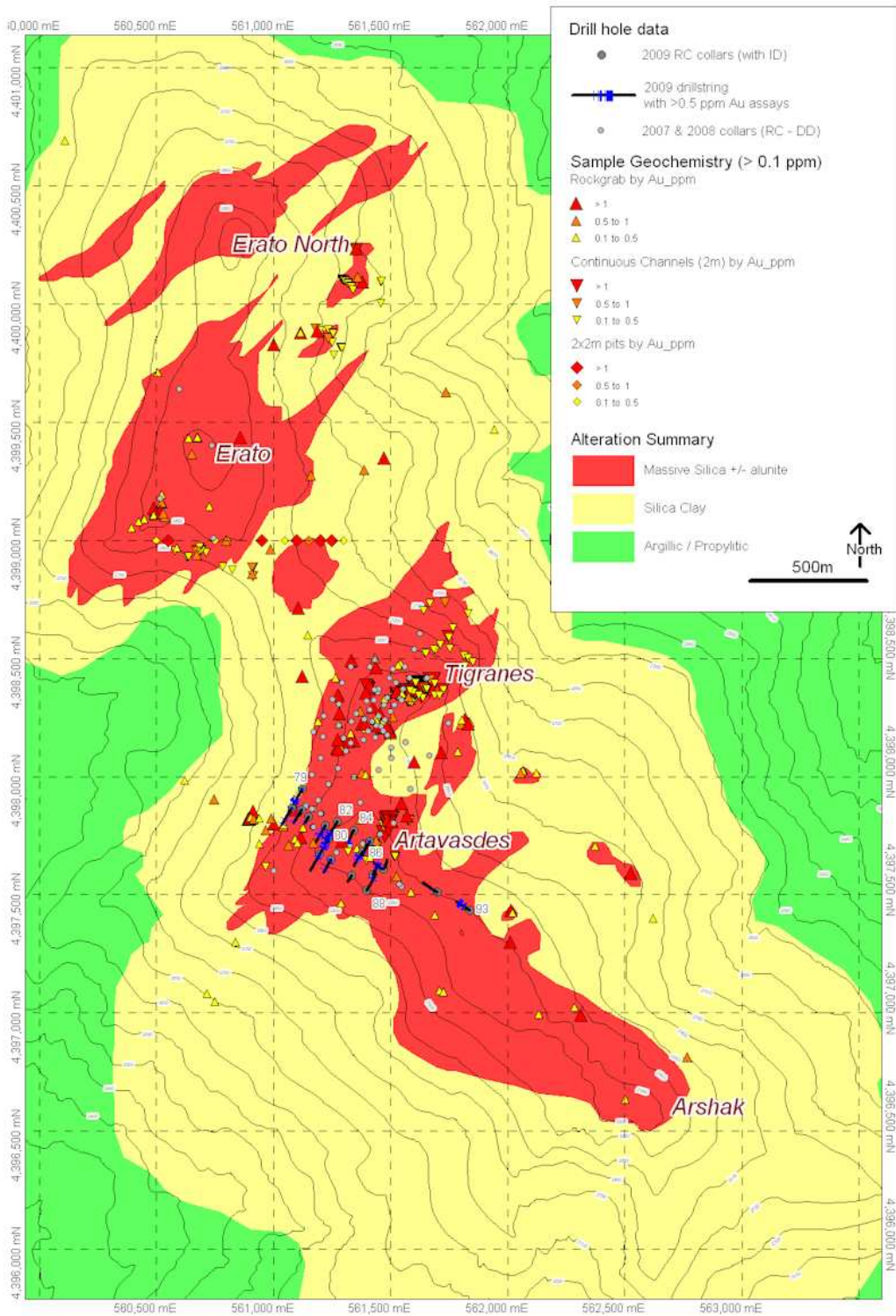
The discovery of significant gold occurrences in late 2006 and a five hole scout drill program totaling 600 m in 2007 revealed the potential of the project. After Lydian International IPO'd on the Toronto big board in January 2008, the next 12 months was not a particularly good time for junior gold explorers and Lydian's share price, along with all its peers, went south. Nevertheless, management persevered, continued to explore, and a 13,300 m drill program on the highest priority target, Tigranes, delivered a 43-101 qualified inferred resource estimate of one million ounces of 1 g/t Au in March 2009.

The Tigranes resource enabled Lydian to submit an application for a 25 year mining license on the central Amulsar concession. In April, this key mining license was granted by the Armenian government, and pending conclusion of a concession agreement, has secured Lydian's tenure for an eventual mining operation.

Goals of the 2009 14,000 m drill program are to determine the limits of gold mineralization along the altered ridge, including targets at Arshak, Artavasdes, Erato, and Erato North, and to extend the Tigranes resource. Recent scout drill holes have been encouraging and expand the resource drilled out in the field season of 2008:

Hole	From	To	Int (m)	Gold (g/t)
RCA-079	74	149 (EOH)	75	1.06
RCA-080	38	102	64	1.01
RCA-082	102	184 (EOH)	82	2.46
RCA-084	92	124	32	6.24
<i>Including</i>	92	110	18	10.20
RCA-086	34	92	58	1.22
RCA-088	80	160 (EOH)	80	1.13
RCA-093	50	144	94	1.49

Note that three of the holes ended in gold mineralization. This is significant in that there has been no sulfide drilled at Amulsar and oxide gold mineralization is open at depth and in all directions. Holes as deep as 250 m have encountered significant oxide-hosted gold.



Alteration, Rock Sample, and Drill Hole Map, Amulsar Project.

Drilling out the boundaries of the deposits at Amulsar in 2009 is important to the Lydian-Newmont Joint Venture. The partners have agreed that Newmont will reach a decision on its continued participation in the project in early 2010.

The terms of the Joint Venture are summarized below:

- Lydian currently holds 95% of all licenses with their local partner controlling the remaining 5%.
- Newmont and Lydian each fund 50% of exploration thru the indicated resource stage with Lydian as operator.
- Newmont then can elect to fund all expenditures thru feasibility to earn a 70 % interest.
- Newmont can earn an additional 10% by taking the deposit to commercial production.
- If Newmont takes the project to feasibility and then elects not to produce, it reverts to a 50% interest.
- Newmont can drop interest in the project at the indicated resource stage and revert to a 1.0 % net smelter return.

Lydian International currently has one reverse circulation and two core rigs drilling on the Amulsar project. The field season soon is drawing to a close at Amulsar and crews are working hard to complete the drilling, mapping, and sampling programs. Lydian is cutting large diameter core for advanced metallurgical testing. Preliminary tests in 2008 on a single drill hole were very encouraging with 94-97% gold recovery in bottle roll tests.

Here's a photo of the recent tour group including company management and technical teams, directors, major investors, the Northern Miner, and a sole newsletter writer (me). It's apparent we are all quite happy with what we have seen on the ground at Amulsar:



Tour group with silica-iron-gold outcrops in right foreground and left middle ground.

There will be another three or four drill hole press releases this fall and an update on metallurgical testing. A new resource estimate will come in early Q1 2010 and the Joint Venture expects to announce a decision on Newmont's continued participation within that time frame also.

I anticipate the Amulsar deposit will grow significantly in size as additional mineralized material is put into a resource category. These forthcoming news items are likely catalysts to move Lydian's stock price higher in the near term.

In addition readers should note that Lydian's technical team has an on-going reconnaissance gold exploration program in Eastern Europe. With unsurpassed expertise in the region, they continue to successfully employ a "first mover" corporate philosophy in these emerging market environments. A pipeline of additional gold prospects and discoveries in the Balkans and southern Caucasus can be expected.

Yes folks, I am bullish on Lydian International Ltd but realize that I am a shareholder of Lydian International Ltd, it is a sponsor of my website, and I am biased.

I urge you to do your own due diligence on this intriguing story and decide if it is worthy of your investment.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

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