

03323 Digest of information:

Date: 02.06.21@09:09
From: [Redacted]@fco.gov.uk
To: John.Gallagher@fco.gov.uk
Cc: [Redacted]@fco.gov.uk
Subject: RE: Meeting with Lydian.

John,

[Redacted] of Lydian Armenia has just returned to Armenia from his business trip, and following my request for a meeting, he will be happy to come to our office on any day convenient for you. Next Monday looks pretty free in your calendar, so if you agree and [Redacted] finds the most suitable time slot, I will let [Redacted] know.

Kind regards, [Redacted]

Date: 09.06.21 @ 08:57
From: [Redacted]@fco.gov.uk
To: John.Gallagher@fco.gov.uk
Cc: [Redacted]@fco.gov.uk
Subject: Meeting with Lydian.

John,

Please see below a write-up of our meeting with Lydian and feel free to make amendments or add anything that I might have missed. I also included latest update on Lydian's restructuring proceedings.

Update

Since [December 2019](#), Lydian International Limited ("Company") – in liquidation, together with its direct and indirect wholly owned subsidiaries, Lydian Canada Ventures Corporation ("Lydian Canada") and Lydian U.K. Corporation Limited ("Lydian UK") have had protection under the Companies' Creditors Arrangement Act (the "CCAA") granted by the Ontario Superior Court of Justice. While under CCAA protection, creditors and others are stayed from enforcing any rights against the Company, Lydian Canada, Lydian UK and a number of their direct subsidiaries including Lydian Armenia. While under the CCAA protection, the Company shall pursue [Redacted].

[In July 2020](#), the Ontario Superior Court of Justice approved the Company's plan of arrangement with its secured creditors under the CCAA. The plan calls for restructuring which will result in the Company's existing senior secured lenders, Orion CO IV (ED) Limited, Resource Capital Fund VI L.P. and Osisko Bermuda Limited (the "Senior Lenders"), owning and controlling a restructured Lydian Canada and its direct and indirect subsidiaries including Lydian UK and Lydian Armenia CJSC. Following implementation of the Plan, the Company will have no assets and the Company will commence proceedings to be wound up under Jersey law, which will include the cancellation and extinguishing of all ordinary shares in the capital of the Company.

[In July 2020](#), [Redacted] was working closely with its partners and the government of Armenia to restart construction of the project.

Write-up

[Redacted], a member of Lydian Canada Ventures Corporation's Board of Directors and [Redacted], called on us yesterday to update on the project.

- [Redacted] informed that Osisko - headquartered in Canada and traded on Toronto Stock Exchange, has an office in the UK and three large British investors holding shares in the

Amulsar project. Osisko has a British management structure and uses its UK registration address for taxation and international arbitration purposes. Besides, **[Redacted]** is partially based in the UK.

- There has been no progress in concluding a Framework Agreement with the Government of Armenia since September last year, when the Prime Minister Pashinyan signalled his openness to the idea at the meeting with **[Redacted]**. The agreement would basically provide protection for Lydian's investments in Armenia, guarantee its unhindered and unlimited access to the project site and obligate the company to pay an **[Redacted]** in royalty payment to local community entities in the construction phase and **[Redacted]** during the period of mine operation each year, on top of corporate profit tax, mining royalties and other mining taxes.
- While **[Redacted]** appreciated the government's drastically changed priorities during the military conflict, **[Redacted]**, as they should have ensured continuity of government. After the communication was restored and Lydian sent a 2-page simple framework agreement sample, the government replied by sending back an invoice type document requesting an upfront payment, which as **[Redacted]** said, **[Redacted]** Lydian had also offered the government a **[Redacted]** equity stake in the project, which is very common elsewhere, but that offer hadn't been taken up either. Lydian had told the government that they wouldn't make any tax payments until the mine's operation was resumed (up until the end of September last year, Lydian had continued to pay \$2m per month in VAT in Armenia).
- Negotiations have now reached deadlock and although Lydian had no problem with accessing key decision-makers, including the prime minister, **[Redacted]**, but he also admitted Lydian's mistakes in not doing enough work in the past for securing a social licence, which led to low acceptance and approval of the project by local communities. He again underlined the unprecedented value of Lydian's investments in Armenia (around US\$100 million invested at the exploration stage and more than US\$350 million invested during construction), adding that Armenia drastically lacks large foreign corporate investments and western business culture. He stressed the economic benefits of the project going ahead, especially now, when the Jermuk spa town - a popular destination for tourism located not far from the project site, is empty because of the escalated tension on the border with Azerbaijan.
- **[Redacted]** said they had run out of time and money. Since Osisko faces the urgency of paying off its investors, among which is the University of California, **[Redacted]**. There are complications though, given that some top individuals are western sanctioned. **[Redacted]** stressed that Amulsar is a very good project with high revenue margin.
- **[Redacted]** asked whether Osisko's decision to sell the mine could be reversed, depending on the outcomes of snap general elections set on 20 June. **[Redacted]** was very confident that in the scenario, when the second President of Armenia Robert Kocharyan, who runs in elections and is considered as the major opponent to the incumbent Prime Minister Pashinyan, wins the elections, his administration would end the illegal actions and ensure the project's continuation. **[Redacted]** made a reference to Kocharyan's previous statements, which had been in strong support of Lydian. He described Kocharyan as a person, who fully understands the negative ramifications of Lydian leaving the market and has a strong team with vast experience of working with foreign businesses. **[Redacted]** singled out some of the major western companies currently operating in Armenia, which had entered the market during Kocharyan's tenure.
- **[Redacted]** sounded a bit more cautious, adding that Kocharyan's team background and strong pro-Russian course doesn't read well. He said that Russians (Highland Gold and Rostec) have recently paid a high-profile visit to Armenia on a private jet and were escorted by security guards of Kocharyan. He noted that the sale of mine to Russians is a highly undesirable outcome for Pashinyan amid his fears of public outcry, since that could mean that he bankrupted Lydian deliberately, in order to bring Russians in. For that reason, Pashinyan's administration has recently signalled interest to resume negotiations with Lydian. **[Redacted]**

seemed to favour the sale of mine, since, as he reiterated, Lydian was completely exhausted and bankrupted. He was also confident that unlike Lydian, Russians won't make \$7-10 million investments in communities annually and will construct the mine at a relatively lower cost.

Economic Diptel 15.06.2021@07:46

[Redacted]

[Out of Scope]

Weak investment environment

[Redacted] at the flagship gold mine - the largest foreign investment in Armenia since independence, has resulted in insolvency of the project owner, an Anglo-American Lydian International, and its subsequent delisting from Toronto Stock Exchange. [Redacted]

Date: 17.06.2021 @ 13:51
From: John.Gallagher
To: [Redacted], [Redacted], [Redacted], [Redacted], [Redacted].
Subject: RE: Meeting with Lydian.

[Redacted]

With thanks to [Redacted] for the record, please see below a readout of a meeting I had with Lydian last week. For reference, I also attach a record of [Redacted] meeting with Lydian from September 2020, when they were apparently much more upbeat.

The takeaways from the meeting for me were:

- Lydian's Amulsar operation is bankrupt and its ownership has been restructured such that it can no longer be defined a UK company. It does have some UK investment but is now an identifiably Canadian operation
- *But* if Lydian are successful in selling their operation (as seems likely) to a consortium of [Redacted] London stock exchange listing means that this will be considered a part-UK operation again
- And, if so, we face a reputation management challenge if there are allegations about standards/ethics/social impact of this project under the new ownership. As well as the reputational challenge of the seemingly close relationship between [Redacted] and Kocharyan
- A sale of Amsular to a Russian-led consortium would also cast into doubt the commitment of the govt here to ensuring that non-Russian large-scale investors can operate effectively in Armenia

John

On Wed, 30th Jun 2021 at 15:53, [Redacted] wrote:

Dear Newsdesk,

[Redacted]

Following an [Redacted] which showed internal FCO emails where UK embassy staff in Armenia discussed how to frame their lobbying for a controversial gold mining project (Lydian International's

Amulsar mine) in September 2020, could the Foreign Office please provide a line on why it's supporting the project - and why it feels it's necessary to lobby for it?

Regards,

[Redacted]

From: John Gallagher (Sensitive) <John.Gallagher@fco.gov.uk>
Sent: Wednesday, July 14, 2021 12:33:27 PM
To: [Redacted] @fco.gov.uk
Cc: [Redacted]@fco.gov.uk; [Redacted] @fco.gov.uk>
Subject: Open Democracy article on Amulsar

Hi [Redacted]

I see that Open Democracy have just published an article on UK govt for the Amulsar mine:
<https://www.opendemocracy.net/en/odr/britains-behind-the-scenes-quest-for-armenian-gold/>

It doesn't seem to have much new to say. I see that there is an FCDO response in there which looks fairly standard.

John

[Out of Scope]

[Redacted]:

FCDO spokesperson:

It is the role of diplomatic missions to talk to host governments on a wide range of issues, including in support of UK businesses.

Date: 08.07.2021@16:30
From: [Redacted]@fco.gov.uk
To: [Redacted]@fco.gov.uk, [Redacted]@fco.gov.uk.
Cc: [Redacted]@fco.gov.uk
Subject: Amsular – Urgent Query

Hi both,

We've had an query in from [Redacted] on Amsular. Would you be able to confirm if there was a direct UK interest in Amsular outside of the European Bank for Reconstruction and Development? We want to be sure for our lines. Attached is the email for background.

Many thanks,
[Redacted]

Date: 08.07.2021@14:23
From: [Redacted]@fco.gov.uk
To: [Redacted]@fco.gov.uk, [Redacted]@fco.gov.uk.
Cc: [Redacted]@fco.gov.uk
Subject: RE: Amsular – Urgent Query

Hi [Redacted]

My understanding is that the company Lydian International with the rights over Amulsar was registered in the Crown Dependency of Jersey and also included several UK investors. However, I believe it was dissolved in March 2021 – so my understanding is there were still UK links until that dissolution in March 2021 – and I don't believe we have undertaken any lobbying since that date. As per John's last email (attached) on this we now understand there is no longer a UK link – but that depending on the buyer it might come back. So, I'm sure someone else has the standard DIT/business language for this, but I would think we should formulate an answer that says that it is normal for the UK Embassy to support UK companies/investors overseas but that the UK Embassy does not lobby for companies/investors when there are no links to the UK?

Date: 08.07.2021@12:17
From: [Redacted]@fco.gov.uk
To: [Redacted]@fco.gov.uk, [Redacted]@fco.gov.uk, [Redacted]@fco.gov.uk
Cc: DL FCDO Newsdesk, DL FCDO Communication – EECAD & Cyber, [Redacted]@fco.gov.uk
Subject: [Redacted] – Lydian International / Armenia

[Redacted] and EECAD comms colleagues,

[Out of Scope]

[Redacted]

[Out of Scope]

[Redacted].

Date: 17.09.2021 @ 12:39
From: John Gallagher.
To: [Redacted]
Cc: [Redacted], [Redacted], [Redacted], [Redacted].
Subject: RE: Meeting with Lydian.

Hi [Redacted]

I just had a short courtesy meeting with [Redacted] of Orion (US listed) and [Redacted] of Osisko (Canadian listed), the two investment groups behind Lydian. They were in town for meetings, and had met DPM Papikian, the Economy Minister, and the Environment Minister. [Redacted].

Two pieces of info that I thought would be of interest:

- Orion want to dilute their stake and their plan A is to sell it [Redacted] who they had mooted in my previous conversation with them. Apparently when they floated this idea of a [Redacted] with government figures, they received a positive response, with those interlocutors indicating a keenness to have a diverse range of investors in-country. [Redacted] Whether Russia would be happy to let that play out is another thing.
- [Redacted] has now been taken off the UK stock exchange. So there would be no UK connection were [Redacted] to ultimately take over this operation (now plan B but still possible).

John

Date: 24.11.21@17:33
From: [Redacted]@fco.gov.uk
To: [Redacted]@fco.gov.uk.

Cc: [Redacted]@fco.gov.uk, [Redacted]@fco.gov.uk,
Subject: RE: Armenia Country Strategy Board.

[Redacted]

[Out of Scope]

The dispute around flagship Amulsar gold mine project that has attracted significant international attention remains unresolved.

[Out of Scope]