

March 23, 2018

IMPORTANT TAX NOTICE: 2017 PFIC STATUS

Attention: U.S. SHAREHOLDERS

This statement is provided for shareholders of Lydian International Limited (“Lydian”) who are United States persons for purposes of the U.S. Internal Revenue Code of 1986, as amended (“IRC”) and the regulations thereunder and are required to file a United States Income Tax Returns. It is not relevant to other shareholders.

Lydian and its wholly owned subsidiaries Georgian Resource Company LLC (“GRC”) and Kavkaz Zoloto CSJC (“KZ”) more likely than not would be considered a passive foreign investment company (“PFIC”) under §1297(a) of the United States Internal Revenue Code (the “Code”) for the taxable year ended December 31, 2017. Lydian’s other non-U.S. subsidiaries should not be considered a PFIC under §1297(a) of the Code for the taxable year ended December 31, 2017. The determination as to whether any corporation was, or will be, a PFIC for a particular year end depends, in part on the application of complex U.S. federal income tax statutes, regulations and the interpretation thereof. In addition, whether any corporation will be a PFIC for any tax year depends on its assets and income over the course of such tax year and as a result, the PFIC status of Lydian and any of the Lydian entities for 2017 and any future tax year is subject to a complex analysis and therefore cannot be predicated with certainty. For shareholders of Lydian that are subject to U.S. federal income tax (“U.S. Shareholders”), certain significant and potentially adverse United States federal income tax consequences result from this designation. These consequences may be generally mitigated by making a timely and effective election to treat Lydian, the GRC and the KZ subsidiaries as a Qualified Electing Fund under §1295 of the Code (a “QEF Election”).

Pursuant to the requirements of Treasury Regulation §1.1295-1(g)(1), the attached PFIC Annual Information Statement is being made available to U.S. Shareholders who have made or intend to make a QEF Election. The attached PFIC Annual Information Statement contains information to enable you or your tax advisor to prepare your tax return if you make the QEF Election.

A U.S. Shareholder who makes a QEF Election is required to annually include in income the pro rata share of the ordinary earnings and net capital gains of Lydian, the GRC and the KZ subsidiaries. The QEF Election is made by completing and attaching Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (Form 8621) to your federal income tax return filed by the due date of the return.

THIS INFORMATION IS PROVIDED IN ORDER TO ASSIST U.S. SHAREHOLDERS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE. WE STRONGLY URGE U.S. SHAREHOLDERS TO CONSULT WITH THEIR OWN TAX ADVISOR TO DETERMINE WHETHER THEY ARE SUBJECT TO U.S. FEDERAL INCOME TAX, AND IF SO, WHETHER THEY ARE ELIGIBLE TO MAKE ANY APPLICABLE ELECTIONS PERTAINING TO THE COMPANY’S STATUS AS A PFIC. ANY DECISION TO MAKE OR NOT MAKE ANY ELECTION THAT MAY BE AVAILABLE WILL DEPEND UPON A U.S. SHAREHOLDER’S PARTICULAR TAX SITUATION AND MAY HAVE SIGNIFICANT AND CONTINUING U.S. TAX CONSEQUENCES. LYDIAN IS UNABLE TO GIVE ADVICE IN THIS REGARD.

Further information on PFIC rules and the QEF election is available from the Internal Revenue Service, including the following website pages: <https://www.irs.gov/instructions/i8621/ch01.html> Instructions to complete Form 8621: <https://www.irs.gov/pub/irs-pdf/i8621.pdf> Form 8621: www.irs.gov/pub/irs-pdf/f8621.pdf

For further information, U.S. Shareholders should consult their tax advisor or seek additional information at www.irs.gov

PFIC ANNUAL INFORMATION STATEMENTLydian International Limited

1. The first and last days of the fiscal year of Lydian International Limited ("Lydian") to which this information applies:

First Day: January 1, 2017
Last Day: December 31, 2017

2. Ordinary earnings and net capital gains of Lydian for the taxable year specified in item 1 are:

Total for Lydian:		Each Shareholder's Pro-Rata Share:	
Ordinary Earnings:	Nil	Ordinary Earnings:	Nil
Net Capital Gains:	Nil	Net Capital Gains:	Nil

3. Cash and fair market value of other property distributed or deemed distributed by Lydian for the taxable year specified in item 1 are:

Cash: Nil
Fair Market Value of Property: Nil

Georgian Resource Company LLC

1. The first and last days of the fiscal year of Georgian Resource Company LLC ("GRC") to which this information applies:

First Day: January 1, 2017
Last Day: December 31, 2017

2. Ordinary earnings and net capital gains of Lydian for the taxable year specified in item 1 are:

Total for GRC:		Each Shareholder's Pro-Rata Share:	
Ordinary Earnings:	Nil	Ordinary Earnings:	Nil
Net Capital Gains:	Nil	Net Capital Gains:	Nil

3. Cash and fair market value of other property distributed or deemed distributed by GRC for the taxable year specified in item 1 are:

Cash: Nil
Fair Market Value of Property: Nil

(Continued)

Kavkaz Zoloto CSJC

1. The first and last days of the fiscal year of Kavkaz Zoloto CSJC ("KZ") to which this information applies:

First Day: January 1, 2017

Last Day: December 31, 2017

2. Ordinary earnings and net capital gains of KZ for the taxable year specified in item 1 are:

Total for Lydian:

Ordinary Earnings: Nil

Net Capital Gains: Nil

Each Shareholder's Pro-Rata Share:

Ordinary Earnings: Nil

Net Capital Gains: Nil

3. Cash and fair market value of other property distributed or deemed distributed by Lydian for the taxable year specified in item 1 are:

Cash: Nil

Fair Market Value of Property: Nil

Lydian will permit any shareholder subject to U.S. federal income tax to inspect and copy its permanent books of account, records, and other documents that may be necessary to establish Lydian's, the GRC and the KZ subsidiaries' ordinary earnings and net capital gains, as computed for U.S. tax purposes, and to verify the computation of the shareholder's pro-rata share of Lydian, the GRC and the KZ subsidiaries ordinary earnings and net capital gains.

Lydian International Limited



Douglas Tobler
Chief Financial Officer