LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2017

Contents

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(expressed in thousands of US Dollars)

	Notes	As of September 30, 2017	As of December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 72,478	$ 137,196
Restricted cash	4	803	9,078
Other current assets	5	2,414	1,058
Total current assets		75,695	147,332
Non-current assets			
Mineral property, plant and equipment, net	6	281,207	111,648
Derivative assets	10	2,199	7,592
Deferred financing costs	7	14,949	18,955
Other non-current assets	8	14,396	5,952
		312,751	144,147
TOTAL ASSETS		$ 388,446	$ 291,479
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 27,568	$ 5,905
Current portion of debt	9	5,471	-
Total current liabilities		33,039	5,905
Non-current liabilities			
Stream liability	9	66,331	60,269
Debt	9	80,985	10,981
Derivative liabilities	10	33,559	25,951
Provisions	11	2,018	452
Total liabilities		215,932	103,558
EQUITY			
Share capital	12	268,670	268,608
Employee share-based plan reserves		4,375	3,294
Translation of foreign operations		(18,472)	(18,472)
Accumulated deficit		(82,059)	(65,509)
Total equity		172,514	187,921
TOTAL LIABILITIES AND EQUITY		$ 388,446	$ 291,479
Commitments	17		
Contingencies	18		
Subsequent events	19		

The accompanying notes are an integral part of these condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)

(expressed in thousands of US Dollars)

	Notes	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest income		$ 173	$ 97	$ 458	$ 158
Total income		173	97	458	158
Employee salaries and benefits expense	14	796	798	2,753	2,576
General and administrative expense		606	834	2,307	2,457
Loss on financial instruments at fair value, net	10	1,985	2,188	13,001	14,834
Other (income) loss, net		(156)	224	(1,053)	(435)
Total expense		3,231	4,044	17,008	19,432
Loss before income taxes		(3,058)	(3,947)	(16,550)	(19,274)
Income taxes		-	-	-	-
Net loss		$ (3,058)	$ (3,947)	$ (16,550)	$ (19,274)
Net loss per share (basic and diluted)	15	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.05)
Other comprehensive loss:					
Net loss		$ (3,058)	$ (3,947)	$ (16,550)	$ (19,274)
Other comprehensive loss:					
Currency translation adjustment		-	(3)	-	736
Total comprehensive loss		$ (3,058)	$ (3,950)	$ (16,550)	$ (18,538)

The accompanying notes are an integral part of these condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(expressed in thousands of US Dollars)

	Notes	For the nine months ended September 30, 2017	2016
Cash flows from operating activities			
Net loss		$ (16,550)	$ (19,274)
Adjustments for:			
Depreciation and amortization		9	37
Loss on disposal of plant and equipment		-	6
Interest income		(458)	(158)
Loss on financial instruments at fair value, net	10	13,001	14,834
Share-based compensation payments	14	776	481
Working capital changes:			
Change in other operating assets		100	(867)
Change in accounts payable and accrued liabilities		(279)	(805)
Cash used in operations		(3,401)	(5,746)
Cash flows from investing activities			
Acquisition and construction of mineral property, plant and equipment		(150,505)	(1,640)
Expenditures for exploration and evaluation assets		-	(12,590)
Change in other non current assets		153	(510)
Return of deposit to equipment supplier		4,000	
Interest income received		458	158
Cash used in investing activities		(145,894)	(14,582)
Cash flows from financing activities			
Proceeds from debt issuance		82,809	35,000
Deferred financing costs		(6,591)	(6,753)
Proceeds from issuance of share capital		-	118,347
Decrease in restricted cash	4	8,275	-
Other		83	-
Cash provided from financing activities		84,576	146,594
Net decrease in cash and cash equivalents		(64,719)	126,266
Foreign exchange effect on cash		1	257
Cash and cash equivalents, beginning of period		137,196	28,554
Cash and cash equivalents, end of the period		$ 72,478	$ 155,077

The accompanying notes are an integral part of these condensed consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(expressed in thousands of US Dollars)

	Share Capital	Reserves: Employee share option plan reserve	Reserves: Restricted stock unit plan reserve	Reserves: Translation of foreign operations	Accumulated Deficit	Total
Balance at December 31, 2015	$ 164,138	$ 3,574	$ -	$ (19,265)	$ (67,772)	$ 80,675
Issue of new shares	118,347	-	-	-	-	118,347
Cost of share issue	(6,359)	-	-	-	-	(6,359)
Issue of warrants	(8,695)	-	-	-	-	(8,695)
Attributable to expired options	1,161	(1,161)	-	-	-	-
Share based compensation	-	191	389	-	-	580
Total comprehensive loss	-	-	-	736	(19,274)	(18,538)
Balance at September 30, 2016	$ 268,592	$ 2,604	$ 389	$ (18,529)	$ (87,046)	$ 166,010
Balance at December 31, 2016	$ 268,608	$ 2,625	$ 669	$ (18,472)	$ (65,509)	$ 187,921
Issue of new shares	50	-	(50)	-	-	-
Cost of share issue	-	-	-	-	-	-
Issue of warrants	-	-	-	-	-	-
Attributable to expired options	12	(12)	-	-	-	-
Share based compensation	-	64	1,079	-	-	1,143
Total comprehensive loss	-	-	-	-	(16,550)	(16,550)
Balance at September 30, 2017	$ 268,670	$ 2,677	$ 1,698	$ (18,472)	$ (82,059)	$ 172,514

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. GENERAL INFORMATION

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, St Heller, Jersey JE2 4QE Channel Islands. Lydian has two securities listed on the Toronto Stock Exchange ("TSX"). Its ordinary shares ("Ordinary Shares") began trading under the symbol LYD on January 10, 2008, and certain warrants ("Public Offering - Warrants") began trading under the symbol LYD.WT on May 26, 2016.

Lydian, together with its subsidiaries (the "Company"), is a gold development company, focusing on construction at its 100%-owned Amulsar Gold Project ("Amulsar"), located in south-central Armenia. Development at Amulsar is being conducted under the Mining Right issued by the Republic of Armenia in May 2016.

In conducting development activities in Armenia, the Company is subject to considerations and risks not typically associated with companies operating in Jersey or Canada. These include but are not limited to risks such as political, economic and legal environments in emerging markets. The Company's results may be adversely affected by changes in political and social conditions and by changes in governmental policies with respect to mining laws and regulations, currency conversion, remittance abroad, rates and methods of taxation, and other factors.

2. BASIS OF PRESENTATION, CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION UNCERTAINTIES

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB"). The accounting policies and methods of application in these interim condensed consolidated financial statements are consistent with those applied by the Company for its most recent annual consolidated financial statements. Accordingly, these financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

The unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2017.

Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as discussed in Note 10 – Financial Instruments.

Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company is exposed to variable returns and has the ability to affect those returns through power to direct the relevant activities.

Critical accounting judgments and key estimation uncertainties

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of certain assets, liabilities, equity, income and expenses. These judgments, estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

Certain events and transactions occurring during the three and nine month periods ended September 30, 2017 and 2016 required management to apply judgements or required the use of estimates, including:

Impairment of development assets – Review of impairment indicators included consideration of external and internal sources of information, including factors such as market, geopolitical and economic conditions, metal prices and forecasts, commercial viability, technical feasibility, and availability of permits. Management has assessed impairment indicators of the Company's development assets and found that no impairment indicators exist at the end of each reporting period.

Fair value of financial instruments – Fair value of financial instruments that are not traded on an active market or do not have sufficient trading volumes and embedded derivatives are determined using alternative valuation techniques. Management uses its judgment to select from a variety of valuation methods and utilizes assumptions deemed to be reflective of conditions at the end of each reporting period.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and interpretations issued but not yet adopted

Management anticipates that those standards and interpretations deemed applicable to the Company's business will be adopted in the Company's financial statements of future periods as they become effective. Standards that management believes are or will be applicable include:

IFRS 9, *Financial Instruments* – The IASB published IFRS 9 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model, and a substantially reformed approach to hedge accounting. The Company has made an initial evaluation and does not anticipate any material effect upon adoption of this standard. Management will continue to monitor this conclusion as the adoption date approaches.

IFRS 15, *Revenue from Contracts with Customers* – The IASB published IFRS 15 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Company has made an initial evaluation of the impact of IFRS 15 on its financial statements and related disclosures. Presently the adoption would have no material effect because the Company has no revenue. The Company will apply the new standard upon commencement of mine production.

IFRS 16, *Leases* – The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019, though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 Revenue from Contracts with Customers. The standard establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17, Leases, and related interpretations. The Company has made an initial evaluation and does not anticipate any material effect upon adoption of this standard. Management will continue to monitor this conclusion as the adoption date approaches.

(expressed in thousands of US Dollars, unless otherwise stated)

4. RESTRICTED CASH

As of September 30, 2017, the Company held certain cash amounts advanced under a credit agreement that are required to be used to purchase equipment for Amulsar. Such cash amounts are restricted for general use until expenditures are made to purchase equipment acceptable to the lender.

5. OTHER CURRENT ASSETS

	As of	
	September 30, 2017	December 31, 2016
Deposits	$ 20	$ 93
Prepayments and other receivables	1,848	662
Supplies	22	252
Refundable VAT	524	51
	$ 2,414	$ 1,058

6. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Development Assets	Plant and Equipment	Total
Cost			
As of December 31, 2016	$ 108,843	$ 6,307	$ 115,150
Additions	170,423	233	170,656
Disposals	-	(1,053)	(1,053)
Transfers of assets into service	(3,451)	3,451	-
Foreign exchange differences	-	9	9
As of September 30, 2017	$ 275,815	$ 8,947	$ 284,762
Accumulated Depreciation			
As of December 31, 2016	$ -	$ 3,502	$ 3,502
Additions	-	352	352
Disposals	-	(308)	(308)
Foreign exchange differences	-	9	9
As of September 30, 2017	$ -	$ 3,555	$ 3,555
Carrying Amount			
As of December 31, 2016	$ 108,843	$ 2,805	$ 111,648
As of September 30, 2017	$ 275,815	$ 5,392	$ 281,207

The table below summarizes non-cash additions to development assets during the nine months ended September 30, 2017.

Interest	$ 8,495
Depreciation	313
Rehabilitation obligation	1,558
Share-based compensation	367
	$ 10,733

(expressed in thousands of US Dollars, unless otherwise stated)

7. DEFERRED FINANCING COSTS

		Financing Costs
As of December 31, 2016	$	18,955
Additions		9,511
Reclassified to debt		(13,517)
As of September 30, 2017	$	14,949

8. OTHER NON-CURRENT ASSETS

		As of September 30, 2017		As of December 31, 2016
Refundable VAT	$	12,971	$	4,278
Rehabilitation and monitoring prepayment		775		955
Other		650		719
	$	14,396	$	5,952

9. STREAM LIABILITY AND DEBT

The table below summarizes activity of the financing arrangements for the nine months ended September 30, 2017:

			Debt					
		Stream Liability		Term Loan		Equipment Financing		Total
As of December 31, 2016	$	60,269	$	981	$	10,000	$	10,981
Proceeds from borrowings				50,000		36,739		86,739
Reclassified from financing costs				(7,712)		(5,804)		(13,516)
Accrued interest		6,592		760		506		1,266
Amortization of financing costs		220		226		10		236
As of September 30, 2017	$	67,081	$	44,255	$	41,451	$	85,706
Less current portion		(750)		(3,104)		(1,617)		(4,721)
Long term portion as of September 30, 2017	$	66,331	$	41,151	$	39,834	$	80,985

Stream Arrangement

The entire $60 million deposit under the Stream Agreement was received by the Company at December 31, 2016. The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market prices or $400/oz for gold and $4/oz silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made and 40 years.

Term Loan and Cost Overrun Facility – Credit Agreement

In 2016, the Company entered into the Term Loan agreement, which provides $160 million on a senior secured basis for purposes of construction of the Amulsar Gold Project. Interest is calculated based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin. Principal plus interest will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow beginning June 30, 2018 and continuing through maturity on September 30, 2021. A $14 million cost overrun facility ("COF") is also available as part of the Term Loan. Interest is calculated based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 9.5% margin. A cash sweep of 30% of excess cash flows will be used to repay the COF. Any remaining balance will be due in full on September 30, 2020.

On June 30, 2017, the Company entered into a Fifth Amending Agreement to the Credit Agreement that modified the availability period of the Second Advance to August 15, 2017, extended Commercial Production date to September 30, 2018 and provided for certain changes to other conditions precedent. As of September 30, 2017, the First and Second Advances totaling $50 million had been received in full. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

Equipment Financing
The Company entered three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these credit agreements is limited to $90 million. A summary of each credit agreement includes:

- The Ameriabank Term Facility has a maximum principal amount of $24 million and will be secured by certain equipment. Interest is calculated based on Libor plus 8.75%, and there is a 2% commitment fee on any undrawn portion. Interest and commitment fees are payable quarterly, and principal payments become payable quarterly beginning in January 2018. As of September 30, 2017, $10 million was drawn on this facility. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

- The Cat Term Facility has a maximum principal amount of $42 million and will be secured by certain mobile mining equipment. Interest will be calculated based on Libor plus 4.5%. Each advance is repayable over a 75-month term, inclusive of a six-month initial repayment grace period. As of September 30, 2017, no funds were drawn on this facility. Availability of funds is subject to satisfaction or waiver of certain conditions.

- The ING Term Facility has a maximum principal amount of $50 million and will be secured by material handling and electrical equipment. Interest will be calculated based on Libor plus 2.95%. Each advance is repayable over a 51-month term. As of September 30, 2017, $32.8 million was drawn on this facility. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

10. FINANCIAL INSTRUMENTS

Derivatives entered into as part of the Stream Agreement, Offtake Agreement and Warrants in 2016, are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period.

The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods.

(expressed in thousands of US Dollars, unless otherwise stated)

Summary of Derivative Assets/(Liabilities)	Derivative Assets (Liabilities): Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Warrants, Public Offering	Warrants, Loan Fee	Gain (Loss)
Fair Value Hierarchy Level[1]	3	3	3	2	2	
Fair value at December 31, 2016	$ 1,308	$ (21,178)	$ 6,284	$ (4,261)	$ (512)	
Change in fair value	891	(3,688)	(13,623)	3,218	201	$ (13,001)
Fair value at September 30, 2017:	$ 2,199	$ (24,866)	$ (7,339)	$ (1,043)	$ (311)	

Sensitivity impact upon Fair Value at September 30, 2017:					
10% increase in gold price[2]	$ 1,340	$ (2,483)	$ (10,741)	N/A	N/A
10% increase in silver price[2]	$ 96	NA	$ (697)	N/A	N/A
10% increase in 3-month LIBOR rate[2]	$ 1	$ 24	$ 43	N/A	N/A

1 The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

2 The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

Level 2 Fair Value Estimates

Fair value of the Warrants was estimated using Level 2 criteria. The Company used a Black-Scholes option pricing model to estimate the fair value of Warrants. This method was applied to the Public Offering - Warrants because, in management's opinion, trading volumes were insufficient to support use of the quoted market price. The warrants issued in connection with the Term Loan ("Loan Fee - Warrants") are not trading instruments, therefore, use of a pricing model was deemed appropriate. Inputs used for calculating the fair value of the Warrants include:

	Public Offering - Warrants		Loan Fee - Warrants	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Warrants outstanding	99,187,500	99,187,500	5,000,000	5,000,000
Expected remaining life in years	0.16	0.90	1.65	2.40
Expected volatility	42.5%	61.6%	54.0%	78.4%
CAD Stock price per share on valuation date	$0.34	$0.33	$0.34	$0.33
CAD Exercise price	$0.36	$0.36	$0.39	$0.39
CAD Risk free interest rate	0.88%	1.14%	1.47%	1.55%
CAD/USD Exchange rate	0.8014	0.7445	0.8014	0.7445
Expected dividend per share	$Nil	$Nil	$Nil	$Nil

Level 3 Fair Value Estimates

Fair value of the derivatives other than the Warrants were estimated using Level 3 criteria. The financial modeling technique applied to these estimates were more complex, require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates included:

(expressed in thousands of US Dollars, unless otherwise stated)

	September 30, 2017	December 31, 2016
Gold spot price per ounce	$1,281.50	$1,150.00
Silver spot price per ounce	$16.61	$15.94
10 yr Risk free interest rate	2.32%	2.38%
3-month LIBOR rate	1.344%	0.935%

The initial fair value of the stream liability and of the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, and similar debt yields of mining companies. The other key inputs and assumptions to the valuations include the risk-free interest rate, production volumes consistent with the Company's most recent Technical Report, gold and silver prices consistent with forward price curves, the availability of additional financing, and the volatility of gold and silver prices over a 3-year period. For the periods ending September 30, 2017 and December 31, 2016 the carrying value of the stream liability was $67,081 and $60,269, respectively, as shown in Note 9 – Stream Liability and Debt. For the periods ending September 30, 2017 and December 31, 2016 the fair value of the stream liability was $80,220 and $61,290.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. Key inputs included gold price, volatility, and the quotational period.

The stream commodity linked repayment is modeled as a swap. A swap has a zero fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change. The key input was the gold price.

11. PROVISIONS

The provision for restoration and rehabilitation represents the present value of future outflow of economic benefits that will be required by the mining agreement signed between Lydian Armenia and the Armenian Government. The provision recognized as of September 30, 2017, relates only to the rehabilitation of Amulsar mine areas affected by exploration and development activities.

	Provisions
As of December 31, 2016	$ 452
Additions	1,566
As of September 30, 2017	$ 2,018

12. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

	Number	Value
Shares outstanding, December 31, 2016	699,449,253	$ 268,608
Shares issued	170,000	50
Amount attributable to expired options	-	12
Shares outstanding, September 30, 2017	699,619,253	$ 268,670

(expressed in thousands of US Dollars, unless otherwise stated)

13. SHARE-BASED COMPENSATION

Restricted Stock Unit Plan:
The following table summarizes the outstanding restricted share units granted under the RSU Plan for the nine months ended September 30, 2017.

	Number of RSU's	Weighted Average Value per RSU
Balance as of December 31, 2016	5,428,972	$ 0.30
Granted	7,783,500	0.28
Expired	(968,454)	0.28
Issued	(170,000)	0.29
Balance as of September 30, 2017	12,074,018	$ 0.29

During the three and nine months ended September 30, 2017, $224 and $712 (2016: $nil and $nil) were included in employee benefits expense in the consolidated statement of loss and comprehensive loss, respectively.

Stock Option Plan:
The following summarizes the outstanding options under the employee share option plan:

	Number of Options	Weighted Average Exercise Price
Balance as of December 31, 2016	5,760,000	$ 0.68
Granted	-	-
Expired	(190,000)	0.56
Balance as of September 30, 2017	5,570,000	$ 0.69

Options were valued using the Black-Scholes Option Pricing Model using the following assumptions. No options were granted during the nine-month period ended September 30, 2017:

	As of September 30, 2017	As of December 31, 2016
Expected volatility	-	77.00%
Expected option life in years	-	5.00
Risk free rate	-	0.72%
Dividend yield	-	0.00%
Forfeiture rate	-	0.00%

During the three and nine months ended September 30, 2017, $15 and $65 (2016: $57 and $131) were included in employee benefits expense in the consolidated statement of loss and comprehensive loss, respectively.

(expressed in thousands of US Dollars, unless otherwise stated)

As of September 30, 2017, share options held by directors, officers, employees and consultants were:

	Outstanding options			Exercisable options		
Range of exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price
$0 to $.80 (CAD$0-$1.00)	3,280,000	2.41	$ 0.51	2,576,664	2.37	$ 0.51
$.81 to $1.60 (CAD$1.01-$2.00)	2,290,000	1.56	$ 0.90	2,290,000	1.56	$ 0.90
	5,570,000	2.06	$ 0.69	4,866,664	1.99	$ 0.69

14. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Salaries and other compensation	$ 558	$ 448	$ 1,977	$ 2,095
Share-based compensation	$ 238	350	$ 776	481
	$ 796	$ 798	$ 2,753	$ 2,576

15. NET LOSS PER SHARE

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Net loss	$ (3,058)	$ (3,947)	$ (16,550)	$ (19,274)
Weighted average shares outstanding	699,452,949	682,699,253	699,450,498	413,348,706
Net loss per share	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.05)

As losses were incurred during the three and nine months ended September 30, 2017 and 2016, the potential shares to be issued from the exercise of options, restricted share units and the Warrants are not included in the computation of diluted per share amounts since the result would be anti-dilutive. Accordingly, the diluted loss per share and the basic loss per share for the periods presented are the same.

16. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. Intercompany transactions have been eliminated in consolidation. Compensation awarded to related parties is as follows:

	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Salaries and other compensation	$ 259	$ 341	$ 1,115	$ 1,220
Share-based compensation	168	250	532	316
	$ 427	$ 591	$ 1,647	$ 1,536

(expressed in thousands of US Dollars, unless otherwise stated)

17. COMMITMENTS

Leases

The Company leases office space, worker accommodations, and certain lands associated with the Amulsar Gold Project. Inclusive of certain cancelable land leases, rental obligations include:

	As of September 30, 2017
Up to one year	$ 1,925
More than one year and not later than five years	6,423
More than five years	7,927
	$ 16,275

Construction Contracts

The Company has entered into key equipment supply and major earthworks contracts for construction of Amulsar. The contracts provide for termination provisions common to the industry. The provisions generally provide payment for i) the reasonable, direct, documented costs incurred as a result of such early termination, ii) if the contract is paid on a cost reimbursable basis, the amount owed for work performed to the termination date; or iii) if the contract is on a unit price or lump sum basis, an amount that is proportionate to the number of units completed or to the percentage of the work that has been completed as of the termination date as compared to the total work that was to have been completed. At September 30, 2017, commitments for the construction of Amulsar totaled $313 million, or approximately 80% of the estimated project cost.

18. CONTINGENCIES

Newmont Transaction

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture which included Newmont's interests in the Amulsar gold property. A portion of the consideration included a 3% net smelter royalty. However, between April 23, 2010 and the date that is 20 days following commencement of commercial production, Lydian may, at its option, elect to buy out the 3% NSR and instead pay to Newmont the aggregate sum of $20 million, without interest, in 20 equal quarterly installments of $1 million commencing on the first day of the third calendar month following the start of commercial production. Alternatively, the Company has a one-time option prior to the commencement of commercial production to prepay these quarterly installments in a single cash payment using an annual discount rate of 10%. This equates to a single payment of approximately $15.7 million.

These potential post-production payments do not meet the definition of an obligation or a constructive obligation as the triggering event, commencement of commercial production, has not occurred. These potential payments are therefore not recognized in the condensed consolidated Statement of Financial Position as of September 30, 2017.

19. SUBSEQUENT EVENTS

The condensed consolidated financial statements for the nine months ended September 30, 2017 have been approved for issue by the Board of Directors on November 9, 2017 and subsequent events have been reviewed through the date of approval.