LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2017

November 9, 2017

Contents

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of the unaudited condensed consolidated financial condition and results of operations of Lydian was prepared as of November 9, 2017. It is intended to supplement and complement the Company's unaudited condensed consolidated financial statements and related notes as of and for the three and nine-month periods ended September 30, 2017. Financial information was prepared in accordance with IFRS as issued by the IASB. All monetary figures are expressed in thousands of U.S. Dollars, unless otherwise indicated. Refer to the Glossary of Defined Terms for definitions of capitalized terms and acronyms used in this MD&A.

Lydian's business is subject to numerous risks and uncertainties that should be considered when reading this MD&A and other disclosures of the Company. Certain forward-looking statements are included in the MD&A. In addition, measured, indicated and inferred mineral resources are based on terms recognized by Canadian regulations. Therefore, readers are encouraged to read the Risk Factors and Cautionary Statements section of this MD&A.

Additional information about Lydian is included in the AIF available at www.lydianinternational.co.uk and the SEDAR website at www.sedar.com.

Q3 2017 HIGHLIGHTS

During Q3 2017, Lydian achieved full-scale construction at its Amulsar Gold Project. The workforce exceeded 1,400 employees and contractors, with significant work advancing at all elevations. Earthworks remained the principal focus for much of the quarter, but activities increasingly transitioned to concrete and equipment assembly. As of September 30, 2017, total commitments reached 80% of estimated total project costs, and overall completion was tracking on plan at 60%.

Key accomplishments during Q3 2017 and more recently included:

- *Materials Handling System*
  - Major crushing, screening, overland conveyor components, and related pre-engineered steel buildings were delivered
  - Excavation of the crushing and screening platforms was completed and concrete work has started
  - Assembly and placement of the overland conveyor galleries commenced

- *Mine Operations*
  - The shovel and initial haul trucks arrived at site and are being assembled
  - Mine haul road construction advanced and will provide access from the mine pits to the crushing plant and the BRSF
  - Construction of the BRSF started

- *Heap Leach Facility*
  - Topsoil stockpiling was completed and earthworks are advancing with contouring and compaction of the sub-base
  - Installation of primary underdrain piping is complete
  - Process solution pond is nearing completion; manufacturing and delivery of geomembrane liner are continuing
  - Fabrication of pre-engineered steel buildings is advancing

- *Processing Plant*
  - ADR equipment fabrication continued and 15 containers of pre-assembled modules shipped
  - Concrete foundation work for the ADR plant is ongoing

- *Infrastructure*
  - Galvanized steel structures for the main 110kV substation switches arrived on site
  - Towers for the 35kV line are being installed for site power distribution
  - Factory acceptance tests completed on the substation switchgears and fabrication is ahead of schedule
  - Excavation for pre-cast concrete installation at the substation has commenced
  - Phase 1 of the residence camp was completed and occupied

- *Financing*
  - Received second advance of $25 million under the Term Loan Agreement
  - Received first advance of $32.8 million under the ING Bank equipment financing facility

- *Sustainability*
  - Biodiversity programs successfully advancing to achieve compliance with international standards
  - Membership on Armenia's EITI Multi-Stakeholder Group and participation in several working groups
  - Published Lydian's 2016 Sustainability Report

ABOUT LYDIAN

Lydian is a gold developer focusing on construction at its 100%-owned Amulsar Gold Project, located in south-central Armenia. Amulsar will be a large-scale, low-cost operation with production expected to begin in the third-quarter of 2018. Open pit mining and conventional heap leach processing contribute to excellent scale and economic potential. Amulsar will be Armenia's largest gold mine and make Lydian one of the largest emerging gold producers of 2018. Estimated mineral resources contain 3.5 million measured and indicated gold ounces and 1.3 million inferred gold ounces. Gold production is targeted to average approximately 225,000 ounces annually over an initial 10-year mine life as outlined in the Q1 2017 Technical Report. Existing mineral resources beyond current reserves and open extensions provide opportunities to improve average annual production and extend the mine life. Lydian is committed to good international industry practices in all aspects of its operations including production, sustainability, and corporate social responsibility.

The Company's Ordinary Shares and Warrants trade on the TSX under the symbols LYD and LYD.WT.

THIRD QUARTER AND RECENT DEVELOPMENTS

Key developments occurring during Q3 2017 and more recently through the date of this MD&A included:

- *Materials Handling System* – Fabrication, delivery and assembly of crushing and conveying equipment progressed as planned. Most remaining equipment for the crushing and screening plant arrived at site. This included the three secondary cone crushers, the primary crusher, apron feeder, motors, and the dust collection system. Also, the major supply of structural steel for the crushing plant was delivered. Pre-engineered steel buildings for the crushing and screening plant have also been delivered to site.

Recent concrete work at the crushing plant area.

Crushing and screening components are warehoused on-site. Assembly will begin as concrete work is completed. Deliveries for the overland conveyor included the pre-cast concrete sleepers and most of the modular overland conveyor galleries. Assembly of the galleries is progressing with about one-third of the units complete. Placement of the sleepers and setting of the conveyor galleries has commenced.

Earthworks to prepare the crushing area and overland conveyor platforms were a priority during the quarter. This work progressed well in the crushing area, but geotechnical conditions required additional excavation and backfilling. This delayed handover for concrete work by about one month. A limited section of the overland conveyor platform also requires additional work due to geotechnical conditions. Given the ability to advance work in other sections along the platform, this is not expected to cause delay. The crushing area platform was completed at quarter end and turned over to the structural, mechanical, piping and electrical contractor. Concrete foundations are now being poured. Placement of pre-cast sleepers and setting the modular conveyor galleries has also commenced along the conveyor corridor. Construction of the crushing and screening plant and the overland conveyor are scheduled to proceed concurrently. Time allowances to offset weather constraints have been made in the planning, but winter weather will be a driver in keeping to the current schedule.

- *Mine Operations* – One Caterpillar 6040 hydraulic shovel, one Caterpillar 994 loader, and four Caterpillar 789D haul trucks arrived as scheduled during Q3 2017. The 6040 shovel, which is the largest load to be transported to site, cleared customs and was delivered without incident. With this delivery and other equipment received during the quarter, transportation and logistics risks have been greatly reduced. Mining equipment is being assembled on site by Zeppelin, the local Caterpillar dealer. Five additional 789D haul trucks are expected to arrive during Q4 2017.

Caterpillar 6040 shovel assembly.

Construction of the mine haul road continues to advance and will provide access from the mine pits to the crushing plant and BRSF. Initial access along the west face of Erato is now complete, which will support acceleration of work at higher elevations. Construction of the BRSF has also commenced.

Once the first deliveries of the mobile mining fleet are commissioned and operators are trained, Lydian plans to supplement construction of the mine haul road with this equipment.

- *Heap Leach Facility* – Topsoil stockpiling is complete and construction earthworks are advancing with the dam raise, toe-bench embankment back fill, and preparation of the sub-base for the geomembrane. Installation of the primary underdrain piping is complete and installation of the secondary piping network is advancing. Fabrication of the geomembrane liner continues with delivery and installation expected to begin in Q4 2017. Fabrication of pre-engineered steel buildings is under way.

Final preparations of the process solution pond.

- *Processing Plant* – A concrete batch plant is assembled and operational adjacent to the ADR platform. Concrete pours for equipment foundations were completed and additional concrete work for the ADR plant is ongoing. Fifteen containers of pre-assembled modules for the carbon-in-column and carbon regeneration circuits have shipped from the manufacturer with delivery expected during Q4 2017. An additional 16 containers of gold recovery equipment and materials are scheduled to ship within the coming weeks.

- *Infrastructure* – Other earthworks are advancing for the truck shop, truck wash bay, administrative facilities, and mine warehouse platforms. Steel for the truck shop buildings has arrived at site. Phase 1 of the residence camp is completed and occupied. Galvanized steel structures for the main 110kV substation switches have been received, and the modular e-house for the crusher area and plant transformers have shipped from the manufacturer. Excavation for pre-cast concrete installation at the substation has started and installation of the 35kV electric distribution towers to the crushing and screening plant is in process.

- *Financing* – Lydian received the second advance of $25 million under the Term Loan Agreement. The Company also utilized an initial $36.7 million under the ING Bank equipment financing facility, including $32.8 million received by Lydian and $3.9 million to be funded from ING to the export credit agency. Lydian has arranged a total financing plan of $442 million, of which $167 million remains available, subject to satisfaction or waiver of applicable conditions, as of September 30, 2017.

- *Sustainability* – Biodiversity programs are successfully advancing as planned to achieve compliance with Armenian and international standards. *Potentilla porphyrantha* studies demonstrate positive potential for *ex situ* conservation and propagation from seed. Planning activities and assessments are being completed in support of establishing the Jermuk National Park as a biodiversity offset. Lydian is also supporting Armenia's implementation of the Extractive Industries Transparency Initiative with membership on the EITI Multi-Stakeholder Group and participation in several working groups. Lydian published its 2016 Sustainability Report.

SELECTED FINANCIAL INFORMATION

Results of Operations

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Interest income	$ 173	$ 97	$ 458	$ 158
Employee salaries and benefits expense	796	798	2,753	2,576
General and administrative	606	834	2,307	2,457
Loss on financial instruments at fair value, net	1,985	2,188	13,001	14,834
Other (income) loss, net	(156)	224	(1,053)	(435)
Total Expenses	3,231	4,044	17,008	19,432
Net loss	(3,058)	(3,947)	(16,550)	(19,274)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.05)

The Company had no revenues other than interest income from bank deposits for the three and nine months ended September 30, 2017 and 2016. The increase in interest income in 2017 is due to interest earned on larger average cash balances on hand in 2017 compared to 2016.

Overall, employee salaries and benefit expense for the three and nine months periods ended September 30, 2017 remained comparable to the same periods for 2016. This expense relates to corporate personnel, which were largely consistent year over year. The Company’s growth in employees is mostly related to the current construction at Amulsar, with such costs being capitalized to development assets.

For similar reasons as employee salaries and benefits, general and administrative expenses were largely consistent for the three and nine month periods ended September 30, 2017 when compared to 2016. Costs being incurred for Amulsar construction activities are also capitalized to development assets.

Financial instruments include a derivative asset and derivative liabilities recorded at fair value, with changes in fair value recognized as a (gain) loss for each reporting period. Such derivatives were first recognized on May 26, 2016 (inception) in connection with the Financing Transactions. The tables below summarize the sources of gain (loss) on financial instruments at fair value for the nine months ended September 30, 2017 and the period from inception to September 30, 2016:

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)	

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 May 26, 2016	$ 3,069	$ (21,922)	$ -	$ (9,360)	$ -	
Change in fair value	1,796	(4,572)	(8,817)	(3,241)	-	$ (14,834)
Fair value at September 30, 2016	$ 4,865	$ (26,494)	$ (8,817)	$ (12,601)	$ -	

The stream prepayment option is a derivative asset associated with Lydian's right to reduce its delivery obligation. Exercise of this option is more likely to occur as gold and silver prices trend higher, which would be recognized as an increase in fair value. Another variable affecting fair value is the remaining duration of the prepayment option. As the duration decreases, the fair value of the option also decreases. For the nine months ended September 30, 2017, the gold price per ounce increased from $1,150 to $1,282 and the duration decreased by nine months. This resulted in a net increase in fair value of $0.9 million. For the period from inception to September 30, 2016, the gold price increased from $1,224 to $1,313 and the duration decreased by approximately four months, resulting in a net increase in fair value of $1.8 million.

The Offtake Agreement derivative is a liability associated with a quotational period pricing mechanism associated with Lydian's future gold sales. The gold price and gold price volatility are key variables affecting fair value. For the nine months ended September 30, 2017, a gold price increase from $1,150 to $1,282 and a slight increase in volatility were the primary causes for the $3.7 million loss. For the period from inception to September 30, 2016, volatility increased and the gold price increased from $1,224 to $1,313, resulting in the $4.6 million loss.

The stream commodity linked repayment derivative is associated with Lydian's obligation to deliver gold and silver under the Stream Agreement. This derivative was deemed to be a swap, which had a zero fair value at inception as the strike price was deemed to be equal to the market price. An increase in the gold price above the inception-date gold price of $1,220 causes a derivative liability, while a decrease in the gold price below the inception-date price of $1,220 causes a derivative asset. During the nine months ended September 30, 2017, the gold price increased from $1,150 to $1,282. This, and a change in estimate for long-term gold prices, resulted in a $13.6 million loss, causing the derivative asset to become a derivative liability. For the period from inception to September 30, 2016, the gold price increased from $1,224 to $1,313, resulting in a loss of $8.8 million.

The Public Offering Warrants represent a derivative liability linked, in part, to Lydian's share price relative to the C$0.36 strike price of the Public Offering Warrants. Other key factors affecting fair value are the expected volatility of the stock price, the time remaining until the exercise date, and the exercise price of the Public Offering Warrants relative to the stock price. Lydian's share price increased from C$0.33 to C$0.34 during the nine months ended September 30, 2017. This would have caused an increase in the liability; however, the remaining duration of the Public Offering Warrants at September 30, 2017 was less than two months and estimated volatility declined. These factors offset the effect of the increase in share price and resulted in a net reduction in this liability of $3.2 million. A loss of $3.2 million occurred for the period from inception to September 30, 2016. This mostly reflected an increase in Lydian's share price from C$0.35 to C$0.44 during this period.

There was no income tax expense, no extraordinary transactions, nor any significant end of reporting period adjustments during the periods presented.

Summary of Balance Sheet Data

The following table summarizes the Company's financial position:

	As of			
	September 30, 2017		December 31, 2016	
Cash & cash equivalents	$	72,478	$	137,196
Restricted cash		803		9,078
Other current assets		2,414		1,058
Mineral property, plant & equipment, net		281,207		111,648
Derivative assets		2,199		7,592
Deferred financing costs		14,949		18,955
Other non-current assets		14,396		5,952
Total assets	$	388,446	$	291,479
Accounts payable and accrued liabilities	$	27,568	$	5,905
Current portion of debt		5,471		-
Stream liability		66,331		60,269
Debt		80,985		10,981
Derivative liabilities		33,559		25,951
Provisions		2,018		452
Total equity		172,514		187,921
Total liabilities and equity	$	388,446	$	291,479

Cash and cash equivalents decreased by $64.7 million since December 31, 2016. Cash expenditures for Amulsar and other investing activities of $145.9 million and expenditures of $3.4 million related to operating activities were incurred for the nine months ended September 30, 2017. These outflows were offset by net proceeds from debt borrowings of $76.2 million, an $8.3 million reduction in restricted cash, and other miscellaneous receipts. See Summary of Cash Flows for additional detail.

The increase in other current assets of $1.4 million related to increases in construction-related prepayments and short-term recoverable VAT.

During the first nine months of 2017, the Company incurred $169.6 million of construction-related expenditures for Amulsar. Major construction activities for the year include: earthworks, most importantly for the mine haul road, crushing area, overland conveyor corridor and the HLF; design, fabrication, delivery and assembly of mining, material handling and process equipment; and installation of various infrastructure components such as worker accommodations and on-site access roads. More recently, work is increasingly transitioning to installation of equipment. Costs incurred for the nine months ended September 30, 2017 were ($ millions):

	For the nine months ended September 30, 2017
General Project Costs	$ 7.7
Infrastructure	5.4
Material Handling Systems	48.1
Heap Leach, ADR and Process Facilities	22.6
Site Services & Utilities	4.2
Indirect Costs	41.8
Owner's Costs	12.2
Mine Fleet	17.0
Other	10.9
	$ 169.9

Deferred financing costs decreased by $4.0 million during the nine-month period ended September 30, 2017. This included expenditures incurred of $9.5 million, offset by allocations to the associated debt facilities of $13.5 million as funds were borrowed.

The increase in other non-current assets of $8.4 million was mostly related to an increase of refundable VAT from expenditures with local Armenian contractors.

The increase in accounts payable of $21.7 million was due to increased construction activities at Amulsar. Most significantly, the balance at September 30, 2017 included an accrual of $12.2 million for mining equipment that had been delivered to site and was being assembled. Other major payables were for earthworks activities and construction management.

The current portions of debt instruments increased by $5.5 million during the nine-month period ended September 30, 2017. This included $4.7 million associated with scheduled debt repayments and $0.7 million for estimated reductions to the stream liability as gold ounces are delivered under this instrument.

The $6.1 million increase in the stream liability related to interest accretion and amortization of financing costs for the nine-month period ended September 30, 2017, offset by $0.7 million reclassified to current liabilities.

Debt increased by $70.0 million during the nine-month period ended September 30, 2017. Borrowings under debt agreements during this period were $86.7 million, consisting of $50 million under the Term Loan and $36.7 million of equipment financing. Also included were accrued interest and fees of $1.5 million. Offsetting these increases were $13.5 million reclassified from deferred financing costs and $4.7 million reclassified to current liabilities.

The increase of $1.6 million in provisions related to additional accruals for estimated future restoration costs resulting from ongoing construction activity during the nine-month period ended September 30, 2017.

Total equity decreased by $15.4 million as a result of the $16.6 million comprehensive loss recognized for the nine-month period ended September 30, 2017, offset by a $1.1 million increase in the reserve for share-based compensation. Of the comprehensive loss, $13.0 million related to non-cash loss from changes in fair value of derivative financial instruments.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the nine months period ended September 30,			
		2017		2016
Cash and cash equivalents, beginning of period	$	137,196	$	28,554
Cash used in operations		(3,401)		(5,746)
Cash used in investing activities		(145,894)		(14,582)
Cash provided from financing activities		84,576		146,594
Foreign exchange effect on cash		1		257
Cash and cash equivalents, end of period	$	72,478	$	155,077

Cash used in operations for the nine months ended September 30, 2017 decreased over the same period in 2016 by $2.3 million. Of this change, $1.5 million resulted from a greater use of cash in 2016 than in 2017 for expenditures on current assets and expenditures to pay down current liabilities associated with operating activities.

Cash used in investing activities increased $131.3 million over the same period in 2016. This reflects the shift from exploration and evaluation activities to construction at Amulsar.

Cash provided from financing activities were $62.0 million less than the same period in 2016. There were no equity issuances in 2017, whereas $118.3 million was received in 2016. For 2017, the majority of the funding was sourced from debt facilities, with $82.8 million gross cash proceeds received in 2017 versus $35 million received in the same period of 2016. The Company also reduced its restricted cash balance by $8.3 million in 2017.

SUMMARY OF QUARTERLY RESULTS

A summary of the Company’s results of operations for the eight most recently completed quarters is:

		Q3 2017		Q2 2017		Q1 2017		Q4 2016
Net sales	$	-	$	-	$	-	$	-
Net income (loss)	$	(3,058)	$	(1,592)	$	(11,901)	$	21,536
Net income (loss) per share (basic and diluted)	$	(0.00)	$	(0.00)	$	(0.02)	$	0.03

		Q3 2016		Q2 2016		Q1 2016		Q4 2015
Net sales	$	-	$	-	$	-	$	-
Net income (loss)	$	(3,947)	$	(13,906)	$	(1,421)	$	(1,771)
Net income (loss) per share (basic and diluted)	$	0.01	$	(0.04)	$	(0.01)	$	(0.01)

The Company's financial results are not significantly impacted by seasonality at this time.

OUTSTANDING SHARE DATA

A summary of the Company's share capital is:

	As of November 8, 2017	As of September 30, 2017	As of December 31, 2016
Ordinary shares	699,619,253	699,619,253	699,449,253
Warrants	104,187,500	104,187,500	104,187,500
Stock options	5,570,000	5,570,000	5,760,000
Restricted stock units	12,074,018	12,074,018	5,428,972

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of September 30, 2017 was $42.7 million compared to $141.4 million as of December 31, 2016. This decrease of $98.7 million resulted primarily from Amulsar construction expenditures, incurred interest and financing fees, and expenditures incurred for administrative purposes. Increases in working capital that partially offset uses of working capital included receipt of the initial draws totaling $50 million under the Term Loan and the first advance of borrowing of $36.7 million under the ING Term Facility.

The current level of working capital and anticipated advances from debt facilities are expected to be sufficient to advance ongoing Amulsar project and corporate activities. Development at Amulsar continues to be management's priority. Funding from the balance of the financing plan discussed below is necessary to meet project costs, financing costs, principal and interest payments, and corporate expenses through completion of Amulsar's construction. While not presently covered by the financing plan, management believes it would be prudent to establish additional funding sources to provide coverage for working capital and unforeseen costs that may arise prior to achieving positive cash flow from operations. Exercise of outstanding warrants is a possible source, but this outcome is dependent upon the Company's share price and is beyond management's direct control. Various other opportunities are being explored.

The Company has arranged the following sources of funds in connection with its financing plan:

	In Millions
Gross proceeds received to date:	
Deposits under the Stream Agreement	$ 60.0
Private Placements to RCF and Orion	80.0
Public offering	29.6
EBRD private placement[1]	8.8
Equipment financing	46.7
Term Loan	50.0
Sub-total: Gross proceeds received to date	$ 275.1
Other arranged Financing Transactions[3]	
Term Loan	$ 110.0
COF	14.0
Equipment financing (limited to $90m):[2]	43.3
Sub-total: Other arranged Financing Transactions	$ 167.3
Total financing plan	$ 442.4

1 The terms of the EBRD Private Placement designate the use the net proceeds to be for the financing of environmental and social mitigation measures and related activities in connection with development of Amulsar.

2 The Company has arranged secured equipment financing facilities for up to $116.0 million with ING, Cat Financial, and Ameriabank. However, provisions of various credit agreements limit equipment borrowings to $90.0 million. There can be no assurance that the Company will be able to access funds from these facilities in excess of $90.0 million. Advances under the equipment financing facilities are subject to satisfaction or waiver of applicable conditions.

3 Advances under the Term Loan, COF and equipment financings are subject to satisfaction, waiver or amendment of applicable conditions. In addition, use of proceeds under the COF are limited to, if any, project cost overruns in excess of the $38 million contingency included as part of the original initial capital cost estimate.

In addition to the amounts set out in the financing plan, the Company may receive additional equity proceeds in the event outstanding Warrants are exercised prior to expiration. While there can be no assurances such Warrants will be exercised, in part or in full, the table below summarizes the gross proceeds receivable by the Company in the event of full exercise of the respective classes of Warrants:

	Expiration Date	Exercise Price	Warrants Outstanding	Gross Proceeds (in Millions)
Public Offering - Warrants	November 27, 2017	C$0.36	99,187,500	C$35.7
Loan Fee - Warrants	May 25, 2019	C$0.39	5,000,000	C$1.9

In addition to project financing requirements for Amulsar, the Company may require additional sources of working capital for unforeseen project expenditures, near-term exploration opportunities, general corporate purposes and working capital, and other contractual obligations when due. The Company is subject to certain reimbursement limitations under the terms of the Financing Transactions. While the Company has provided for an estimate of such costs, actual costs may exceed these estimates. As a result, the financing plan may be insufficient and require the Company to issue additional Ordinary Shares or seek other funding sources to meet its construction and non-Amulsar related expenditures.

The ability to fulfill the conditions of the Financing Transactions and other potential financing arrangements, draw upon such sources when needed, and meet other obligations of the Company when due is uncertain.

The time periods and the Company's costs relating to the construction-related milestones for Amulsar and other estimates contained in studies or estimates prepared by or for the Company may differ significantly from those currently expected by the Company. There can be no assurance that the actual time periods, access to sufficient funding and the Company's actual costs with respect to these objectives will not be higher than currently expected.

While the Company believes it can accomplish its stated business objectives, exploration for and development of mineral properties has a number of inherent risks. See Risk Factors in the Company's AIF for factors that may impact the timing and success of the Company's planned activities in connection with Amulsar.

The Company has made certain expenditure, performance and timing commitments to the licensing authorities for the Company's projects. Should these expenditure targets not be met or amended, the applicable licenses are not expected to automatically be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor in whether to renew such licenses.

Use of Proceeds

The following table presents the anticipated use of proceeds from the Financing Transactions, the equipment financing facilities with Ameriabank, Cat Financial, ING Bank and EBRD Private Placement.

In Millions	Original Estimated Use of Proceeds	Actual use of proceeds for through September 30, 2017
Direct costs	$ 161.8	$ 96.1
Construction indirect costs	32.5	43.3
Engineering, procurement, construction management	32.9	13.9
Owner's Cost	35.2	16.9
Pre-production working capital	10.0	0.1
Mine fleet and mobile equipment	49.8	17.0
Freight	8.3	-
Contingency	37.6	-
Drilling	1.8	1.8
Total construction costs	$ 369.9	$ 189.1

Any other funds available to the Company from the Financing Transactions or otherwise will be used for working capital purposes and possible cost overruns. At September 30, 2017, the commercial production date set out in the Term Loan was extended three months to September 30, 2018 to adjust for the effects of last year's winter conditions and minor contracting delays that impacted the project schedule. The effect on budget has also been assessed, and is estimated to result in estimated Amulsar project costs of approximately $383 million at completion.

TAXES PAID IN ARMENIA

Summary of payments to the Armenian State Budgets and local community governments

The following information is provided as part of an initiative by Publish What You Pay (a global civil society coalition) to achieve transparency of oil, gas and mining Company payments to agencies and representatives of those governments as a first step towards a more accountable system for the management of natural resources.

	For the three months ended September 30,				For the nine months ended September 30,			
		2017		2016		2017		2016
State duty on mining and exploration license	$	-	$	-	$	21	$	20
Income tax paid on behalf of employees	$	644		145	$	1,526		440
Land rentals in local communities	$	237		167	$	648		475
Other taxes and duties	$	2,522		127	$	4,878		199
Land status change	$	-		554	$	3		554
	$	3,403	$	993	$	7,076	$	1,688

The amounts above were paid in Armenian drams, and converted to U.S. dollar using the year-to-date average exchange rate for this report period.

FINANCIAL AND OTHER INSTRUMENTS

Financial instruments (assets)

The Company's financial assets include cash and cash equivalents, restricted cash, and derivative assets that are carried at fair value.

Financial instruments (liabilities)

The Company's financial liabilities include accounts payable and accrued liabilities, stream liability and debt that are carried at amortized cost, and derivative liabilities that are carried at fair value.

Derivatives are adjusted to fair value as of the financial statement date, with the amount of adjustment being recognized currently as a gain or loss in the statement of loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions and other estimates existing at the reporting date.

Capital Management

The Amulsar Gold Project is in the development stage, as such, the Company is dependent on external financing to fund its activities. The Company manages its capital structure and makes adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, incur, repay or restructure debt, and acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the board of directors. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Financial Risk Management

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments. This discussion presents information about the Company’s exposure to each of these risks, the Company’s objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates or commodity prices, will affect the value of the Company’s financial instruments.

(i) Currency Risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company’s financial instruments will fluctuate because of changes in foreign exchange rates. The Company’s functional currency is the US dollar and its primary operations are in Armenia.

The Company primarily has exposure to three currencies: Armenian drams, Canadian dollars and the Euro. Any impact from changes in currency values, to the US dollar are recognized as foreign currency gains or losses in the unaudited condensed consolidated statement of loss. The Company’s currency risk policy is to hold funds primarily in the US dollar, with funds held in the Armenian dram, the Canadian Dollar and the Euro roughly in proportion to expected future expenditure over the next quarter.

(ii) Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company’s earnings and assets. The Company’s exposure to interest rate fluctuations is due primarily to its long-term debt which have interest rates based on LIBOR. The Company has not entered into any agreements to hedge against unfavorable changes in the LIBOR rate. Currently the Company’s risk exposure is limited to the drawn portion of the Term Loan, ING Term Facility, and Ameriabank Term Facility. Fluctuations in the LIBOR rate impacts capitalized interest in Mineral Properties. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on long-term debt.

Advances from the Term Loan bear interest at LIBOR plus 6.5% (subject to a minimum of 1%) and advances from Ameriabank Term Facility bear interest at LIBOR plus 8.75%. Advances under the ING Term Facility bear interest at LIBOR plus 2.95% and advances under the Cat Term Facility bear interest at LIBOR plus 4.5%.

The Company deposits cash into liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as of September 30, 2017 with respect to its cash and cash equivalent and restricted cash positions. Fluctuations in interest rates on cash impact interest income.

Sensitivity to a plus or minus 1% change in interest rates with all other variables held constant as September 30, 2017, would affect the unaudited condensed consolidated statements of profit and loss by a de minimis amount in both 2017 and 2016.

(iii) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions. There is no assurance that a profitable market will exist for gold and silver produced by the Company. The Company has not hedged the price of any commodity at this time.

The financial instruments impacted by commodity prices are the embedded derivatives related to the Stream Agreement and the Offtake Agreement, see Note 10 – Financial Instruments of the Company's unaudited condensed consolidated financial statements.

As of September 30, 2017, no ounces had been delivered under these contacts. See Note 10 – Financial Instruments of the Company's unaudited condensed consolidated financial statements for the impact of a 10% appreciation or depreciation of gold prices on the embedded derivatives.

(b) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk is primarily liquid financial assets including cash and restricted cash. The Company limits its exposure to credit risk on financial assets by investing cash with financial institutions of high credit quality.

As the Company has no revenue or trade receivables, management considers credit risk as low. On occasion, advances are paid to major suppliers primarily relating to construction. Payment of these deposits is considered by the management on a case by case basis. The VAT receivable and rehabilitation payments are with the Republic of Armenia.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, to the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity or debt funding. The Company's liquidity may be adversely affected if its access to the capital and debt markets are hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the company. To date, the Company has relied on shareholder and debt funding to finance its operations and development of the Amulsar Gold Project. The Company's ability to settle borrowings and other long term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

Though the Company currently has financing arrangements in place to meet its development obligations, access to these funds is subject to meeting certain conditions. There is no assurance that the Company will be able to meet the conditions at the time funds are required, therefore, liquidity risk is present until such a time as the conditions are satisfied.

(d) Fair value of financial assets and liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See Note 10 – Financial Instruments of the Company's unaudited condensed consolidated financial statements.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the nine-month period ended September 30, 2017:

- $50 million equipment financing arrangement with ING Bank on February 8th, 2017, of which $32.8 million has been drawn, and an additional $3.9 million will be drawn to fund the export credit agency fee.
- Fifth Amending Agreement to the Term Loan was entered into on June 30, 2017 extending the commercial production date to September 30, 2018 and the availability period of the second advance for $25 million to August 15, 2017.
- The first and second advances under the Term Loan Agreement were received for total of $50 million.

Off-Balance Sheet Arrangements

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 unaudited condensed consolidated Statement of Financial Position as of September 30, 2017.

The Company does not have any other significant or off-balance sheet arrangements.

COMMITMENTS

Leases

The Company leases office space, accommodations, and 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 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, estimated commitments for the construction of Amulsar totalled approximately $313 million, or 80% of the estimated project cost, many of which have been paid.

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,		For the nine months ended September 30,	
	2017	2016	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

CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

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.

Recent Accounting Pronouncements

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.

DISCLOSURES AND INTERNAL CONTROLS

The Company prepares its financial reports in accordance with IFRS. Financial reports and other disclosures by the Company are subject to Management's systems for maintaining internal controls over financial reporting and disclosure controls as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. In preparing disclosures, Management makes certain interpretations and relies on assumptions and estimates. There is no assurance that Management's internal controls, interpretations, assumptions and estimates, or other precautions will completely ensure reliable and timely disclosures are made.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. Management is also responsible for the design of internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's Chief Executive Officer and Chief Financial Officer have used the COSO 2013 framework to design the Company's DC&P and ICFR as of September 30, 2017. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's DC&P and ICFR as of September 30, 2017 and have concluded that these controls and procedures are adequately designed to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company, and to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. There have been no other significant changes in the Company's ICFR that occurred during the period ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the unaudited condensed consolidated financial statements, is the responsibility of Management. In preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates are based on careful judgments and have been properly reflected in the Company's unaudited condensed consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

RISK FACTORS

The Company faces significant risks and uncertainties causing the mineral resource sector to be highly speculative in nature. Many of these can have material and adverse effects on the valuation of the Company's securities, cash flows, financial condition, results of operations, rights and interests, existing business activities, plans and prospects. Risk factors and additional information relating to the Company are discussed in the Company's most recent AIF and other filings available on SEDAR at www.sedar.com.

CAUTIONARY STATEMENTS

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements, as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect Management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "would", "project", "budget", "scheduled", "forecast", "could", "believe", "predict", "potential", "should", "might", "occur", "achieve", "target" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. In particular, information regarding: the Company's development and construction activities at Amulsar; the Company's future operating and production results and economic performance; the anticipated funding of the equipment financing and the Financing Transactions; the satisfaction or waiver of applicable conditions of certain Financing Transactions; the sufficiency of working capital and debt facilities to advance ongoing activities; the Company's approach to sustainability, including the biodiversity programs; the exercise of outstanding Warrants; the exposure to financial risks; the estimated mineral resources of Amulsar; the expected use of proceeds from the Offering, the equipment financing, the EBRD Private Placement and the Financing Transactions; the Company's ability to meet its gold and silver delivery obligations under the Stream Agreement; the impact of the Offering, the equipment financing and the Financing Transactions on the Company's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the anticipated economic and feasibility parameters of Amulsar; the expected cost and timing of construction and development of Amulsar, including the related key milestone dates and expected timing of first gold production; the expected mine life, scale, construction, mining operations and plan, processing methods and rate, grades, recovery rates, total recovery, stripping ratio, average annual tonnes mined/processed, production and other attributes of Amulsar; the anticipated timing for the receipt of permits; the adjustment of the Company's capital structure; the expected timing of delivery of key equipment; and the anticipated key design features for the mining operations at Amulsar is forward-looking information.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals;
- the exchange rate between the Canadian dollar, the Armenian dram, the British pound, and the U.S. dollar;

- the timing of the receipt of any outstanding regulatory and governmental approvals for the Company’s projects;
- the availability of financing for the Company’s development of its properties on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities, on a timely basis and on reasonable terms;
- there being no significant disruptions affecting the development and operation of Amulsar;
- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;
- tax rates, including the allocation of certain tax attributed to Amulsar;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of Amulsar;
- that the 5% discount rate used to complete the Q1 2017 Technical Report is sufficient;
- labour and materials cost increases;
- permitting and arrangements with landholders;
- the ability to attract and retain skilled staff;
- exploration and development timetables;
- market competition;
- the accuracy of the Company’s resource and reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based;
- the satisfaction or waiver of all conditions to the completion, effectiveness or availability, as the case may require, of each of the Financing Transactions;
- the receipt of funds under each of the Financing Transactions; and
- the Company’s ability to meet its gold and silver delivery obligations under the Stream Agreement.

These forward-looking statements involve risks and uncertainties relating to, among other things, significant capital requirements and availability of capital resources to fund such requirements; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, Armenia, Great Britain and the United States; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Armenia; taxation; changes to the Company's mine plan or profitability or to the Company's asset profile that might alter the allocation of tax attributes to Amulsar; controls, regulations and political or economic developments in Jersey, Canada or Armenia; the speculative nature of mineral exploration and development; risks associated with obtaining and maintaining the necessary licenses and permits and complying with permitting requirements, including, without limitation, approval of the Armenian Government and receipt of all related permits, authorizations or other rights; the uncertainties inherent to current and future legal challenges the Company is or may become a party to; diminishing quantities or grades of reserves and resources; competition; loss of key employees; adverse general economic, market or business conditions; additional funding requirements; rising costs of labour, supplies, fuel, electricity and equipment; actual results of current exploration activities; uncertainties inherent to mining economic studies such as Q1 2017 Technical Report, including the risk that the assumptions underlying the Q1 2017 Technical Report and its economic parameters will not be realized; changes in project parameters as plans continue to be refined; accidents; labor disputes; defective title to mineral claims or property or contests over claims to mineral properties; delays and costs inherent to consulting and accommodating local stakeholders; and uncertainties with respect to obtaining all necessary surface rights, land use rights and other tenure from the Armenian government and private landowners required for Amulsar. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks). Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors referenced in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might change or not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law. See “Forward-Looking Statements” in the AIF and other filings available on SEDAR at www.sedar.com.

Estimates of Measured, Indicated and Inferred Resources

This MD&A uses the terms “Measured”, “Indicated” and “Inferred” Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the SEC does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

GLOSSARY OF DEFINED TERMS

"*ADR Plant*" means the adsorption, desorption and recovery plant;

"*AIF*" means the annual information form of the Company dated March 30, 2017 for the year ended December 31, 2016;

"*Ameriabank*" means Ameriabank CJSC;

"*Ameriabank Term Facility*" means the Term Facility with Ameriabank in the amount of $24 million;

"Amulsar" or "*Amulsar Gold Project*" means Lydian's 100% owned gold project at Amulsar, located in south-central Armenia;

"BRSF" means barren rock storage facility

"C$" means Canadian dollar;

"Cat Financial" means Caterpillar Financial Services (UK);

"Cat Term Facility" means the secured credit facility dated December 22, 2016 between Lydian Armenia and Caterpillar Financial Services for a maximum principal of $42 million;

"*Company*" or "*Lydian*" or "*we*" or "*us*" or "*our*" means Lydian International Limited and its affiliates;

"*COSO*" means the Committee of Sponsoring Organizations of the Treadway Commission;

"COF" means the $25 million cost overrun facility, which was subsequently amended to $14 million;

"*DC&P*" means disclosure controls and procedures;

"*EBRD*" means the European Bank for Reconstruction and Development;

"EBRD Private Placement" means the $8.8 million private placements of Ordinary Shares to the EBRD, which closed August 15, 2016;

"*Financing Transactions*" means, collectively, the series of financing transactions in an aggregate amount of approximately US$325 million, as subsequently amended to $314 million, entered into between the Company, Orion and RCF, to finance the engineering, design and construction of the plant, the acquisition of equipment, mine development and start-up costs, interest during construction, fees and expenses related to the financing transactions, other development costs, working capital requirements of Amulsar, and for corporate and working capital purposes;

"*IAS*" means International Accounting Standard;

"*IASB*" means the International Accounting Standards Board;

"*ICFR*" means internal controls over financial reporting;

"*IFRS*" means the International Financial Reporting Standards as issued by the International Accounting Standards Board;

"*ING Bank*" means ING Bank N.V.;

"*Loan Fee Warrants*" means the 5,000,000 Ordinary Share purchase warrants of the Company issuable to Orion and RCF upon the closing of the Private Placements;

"*ING Term Facility*" means the secured credit facility entered into by Lydian Armenia on February 8, 2017 in the amount of up to $50 million;

"*Lydian Armenia*" means Lydian Armenia CJSC, formerly Geoteam CJSC, the Company's wholly owned subsidiary which holds Amulsar;

"*Management*" means the management of the Company;

"*MD&A*" means this Management's Discussion and Analysis;

"*Newmont*" means Newmont Overseas Exploration Limited;

"*NI 43-101*" means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

"*NSR*" means net smelter royalty;

"*Offering*" means the distribution and offering of the Subscription Receipts by the Company pursuant to the Short Form Prospectus and the Ordinary Shares and Public Offering Warrants issued pursuant to the terms of the Subscription Receipts;

"*Offtake Agreement*" means the offtake agreement dated November 30, 2015 among Lydian Armenia, the Company, Lydian International Holdings Limited, Lydian Resources Armenia Limited, Orion and RCF;

"*Ordinary Shares*" means the ordinary shares of no par value in the capital of the Company;

"*Orion*" means both or either Orion Co IV (ED) Limited and Orion Co IV (SO) Limited;

"*Private Placements*" means the private placements of Ordinary Shares to each of Orion and RCF;

"*Public Offering Warrants*" means the Ordinary Share purchase warrants issued pursuant to the terms of the Subscription Receipts;

"*Q1 2017 Technical Report*" means the "NI 43-101 Technical Report, Amulsar Updated Resources and Reserves, Armenia, dated March 30, 2017";

"*Q3 2016*" means the three-month period ended September 30, 2016;

"*Q3 2017*" means the three-month period ended September 30, 2017;

"*RCF*" means Resource Capital Fund VI L.P.;
"*SEC*" means the U.S. Securities and Exchange Commission;

"*SEDAR*" means the System for Electronic Document Analysis and Retrieval administered by the Canadian Securities Administrators;

"*Stream Agreement*" means the purchase and sale agreement dated November 30, 2015 among the Company, Lydian Armenia, Orion and RCF, as amended;

"*Subscription Receipts*" means the subscription receipts of the Company offered pursuant to the Short Form Prospectus, including, for greater certainty, the Over-Allotment Option;

"*Term Loan*" means the $160 million non-revolving credit agreement dated November 30, 2015 among Lydian Armenia, the Company, Orion and RCF, as amended; and

"Warrants" means the collective warrants issued in connection with the Term Loan ("Loan Fee Warrants") and the Offering ("Public Offering Warrants") defined above.