LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2018

May 14, 2018

Contents

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian" or the "Company") was prepared as of May 14, 2018. It is intended to supplement and complement the Company's unaudited condensed consolidated financial statements and related notes as of and for the three-month period ended March 31, 2018. Financial information was prepared in accordance with IFRS as issued by the IASB. The unaudited condensed consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2017. All monetary figures are expressed in thousands of US 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. 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.

FIRST QUARTER 2018 HIGHLIGHTS AND RECENT DEVELOPMENTS

Lydian continued to advance major construction and operational readiness activities at its 100%-owned Amulsar Gold Project in Armenia. Management's construction schedule prepared in April 2018 reflects production commencing in Q4 2018, with ramp-up continuing into 2019. Gold production is targeted to average approximately 225,000 ounces annually over an initial 10-year mine life once steady-state operations are achieved.

Engineering – Engineering is 100% complete for the crushing and screening plant, the ADR facility, high voltage distribution, pre-fabricated buildings and geotechnical designs. The overland conveyor design is now complete. The balance of engineering is nearing 100% completion with the exception of the mine shop and wash bay. Construction of these two facilities is underway with foundation work nearing completion.

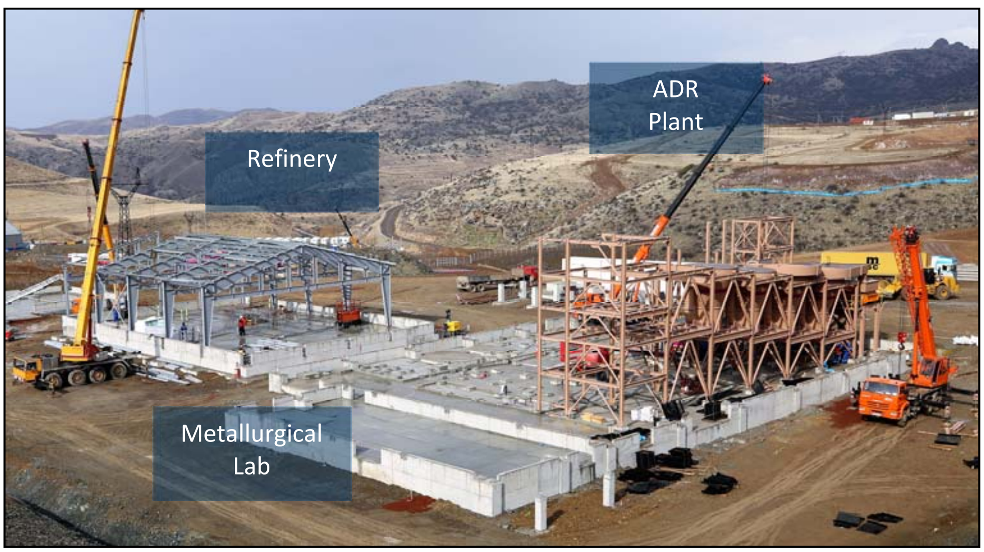
Mine haul road construction by Lydian-operated fleet.

Mine Operations – Nine Caterpillar 789D haul trucks, one Caterpillar 6040 shovel, and one Caterpillar 994 front-end loader have been assembled and commissioned. In late Q1 2018, Lydian started using its fleet to widen the mine haul road to its full width of 35 meters. This work is expected to be complete by the end of Q2 2018. This will be followed by pre-stripping and mining ore for stockpiling in preparation for commissioning the material handling facilities.

Crushing and screening facilities.

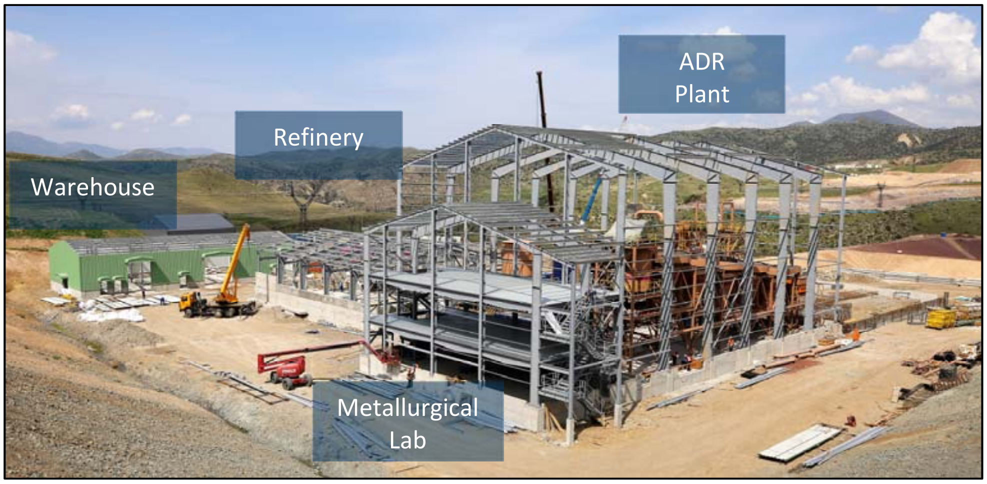
Materials Handling System – Construction activities progressed significantly at the crushing and screening facilities. Key concrete work is nearing completion and is being handed over for steel erection and equipment installation. Structural steel is in place and equipment installation is 80% complete within the screening building. Structural steel and equipment installation for the crushing plant and conveyor drive station is expected to commence in May 2018. Pre-cast concrete panels and structural steel for the coarse ore reclaim tunnel are in place and backfilling has commenced. Work on the downhill conveyor, which is on the critical path, is a key focus. Approximately one-third of the conveyor galleries have been placed to date. Foundation sleepers are in place for two-thirds of the conveyor route, allowing for additional gallery placement to continue in May 2018.

Heap Leach Facility – Final stages of leach pad contouring and clay under-liner placement continued throughout the quarter. Installation of the geomembrane liner for the process pond will commence in mid-May and liner installation for the leach pad will commence thereafter.



Gold processing facilities March 2018.

Gold Processing Facilities – Steel for the pre-fabricated buildings for the process facilities including the ADR plant, refinery, metallurgical lab, and warehouse are being erected. All of the carbon-in-column tanks have been installed and associated process component installation is ongoing and will continue throughout Q2 2018.



Gold processing facilities April 2018.

Main substation.

Infrastructure - The 35kV transmission lines are substantially complete as is the main mine substation. The latter will be energized in Q2 2018 with feed from the utility's 110kV main transmission line that runs next to the mine substation. The 110Kv line has been upgraded by ENA, the utility, and an additional tower has been constructed to provide the necessary transition from the utility line to the substation. All modular substations have been delivered to site. Construction of the natural gas line is ongoing. This will feed the ADR plant and mine facilities area, both for process requirements and area heating. Process and potable water distribution designs have been finalized and procurement of mechanical and piping components is underway. Internet services, have long been established with a fiberoptic backbone design in place. The radio communications system has been designed and all components are on order. The mobile cell network currently provides excellent coverage and will be superseded by the radio network once installed and commissioned.

Operational Readiness – Core operations and commissioning personnel are in place and are implementing Lydian's operational readiness plan. Activities during Q1 2018 centered on initiating service and supply contracts, developing standard operating procedures, recruitment, and training. Aptitude screening of approximately 100 truck driver and shovel operator candidates was done using the Caterpillar simulators.

Sustainability – Lydian continued its focus on environmental and social affairs throughout the first quarter of 2018. Biodiversity activities progressed for the formation of the Jermuk National Park, including the socio-economic and perception studies and assessments of the Potentilla porphyrantha plant species. Lydian continued to increase local employment and procurement in cooperation with construction contractors.

Financing – On March 9, 2018 Lydian reduced its future potential commitments by exercising its option under the Newmont Royalty Agreement to terminate the 3% Net Smelter Return royalty and in lieu thereof, elected the quarterly payment option to 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. During Q1 2018 and to the date of this report, additional debt draws of $62.8 million were received. Management also focused on developing additional financing alternatives to provide for the estimated project cost of $425 million, support cash flow requirements through ramp-up as production commences at Amulsar, and maintain adequate contingency.

As announced previously, pre-operational costs at Amulsar are estimated at $425 million. Considering management's construction schedule prepared in April 2018, which reflects production commencing in Q4 2018 and ramp-up continuing into 2019, Lydian anticipates an additional funding requirement of $65 million. This estimate is sensitive to several key risk factors, a) including potential further changes to the schedule to achieve production and ramp up to a point of positive cash flow, b) additional pre-operational costs, and c) upcoming contractual commitments. Management continues to assess its funding requirements considering these and other risk factors.

Armenian Government Developments – In 2015 the Armenian Constitution was amended, whereby effective April 2018 the government would change from a Presidential to a Parliamentary system. On April 17, 2018, Serzh Sargsyan, Armenia's President for the preceding 10 years, was elected by Parliament as the new Prime Minister, effectively establishing a third term as head of state. Following 10 days of peaceful protests initiated by Nikol Pashinyan, Prime Minister Sargsyan voluntarily resigned on April 23, 2018 and a new Parliamentary election was set for May 1, 2018. Mr. Pashinyan, who sought election as Prime Minister in the May 1 election, failed to receive a majority vote by Parliament. Thereafter, Mr. Pashinyan was elected Prime Minister through a subsequent election on May 8, 2018. He will now begin forming a new government. These developments to date, have had minimal impact on construction activities at Amulsar.

Appointments – João Carrêlo was appointed as President and Chief Executive Officer of Lydian International Limited effective May 1, 2018 following the resignation of Howard Stevenson. Mr. Carrêlo is a senior mining executive with over 34 years of international experience in the mining and resource sectors. Mr. Carrêlo will be instrumental in bringing Amulsar into production and executing on the Company's strategic growth objectives.

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 commence in Q4 2018, with ramp-up continuing into 2019. Once steady-state operations are achieved, gold production is targeted to average approximately 225,000 ounces annually over an initial 10-year mine life. Open pit mining and conventional heap leach processing contribute to excellent scale and economic potential. Estimated mineral resources contain 3.5 million measured and indicated gold ounces and 1.3 million inferred gold ounces 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's life. Lydian is committed to good international industry practices in all aspects of its operations including production, sustainability, and corporate social responsibility.

The Company was incorporated under the Canada Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the Company were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Company changed its name from "Dawson Creek Capital Corp." to "Lydian International Limited". By certificate of continuance effective December 12, 2007 pursuant to the Companies (Jersey) Law 1991, the Company was continued under the laws of Jersey from the Province of Alberta. The registered office of Lydian is located at Bourne House, 1st Floor, Francis Street, St. Helier, Jersey, JE2 4QE, Channel Islands. The Company, through two of its subsidiaries, also maintains offices at 5655 South Yosemite Street, Suite 400, Greenwood Village, Colorado, 80111, USA and Vazgen Sargsyan Street, 26/1, 7th Floor, Yerevan 0010, Republic of Armenia.

The Company's Ordinary Shares began trading under the symbol LYD on January 10, 2008. The Public Offering - Warrants began trading under the symbol LYD.WT on May 26, 2016, and subsequently ceased trading on November 27, 2017.

2018 OUTLOOK

The Company's key milestones for the balance of 2018 include:

- Securing additional financing to complete Amulsar as previously announced;
- Completing construction of Amulsar;
- Hiring and training operations personnel for mine, processing facilities, and other areas;
- Commission mining equipment and begin mining operations;
- Commission processing facilities including material handling systems and gold recovery facilities;
- Achieving first gold production; and
- Progressing safety, health, environmental initiatives commensurate with the Company's transition to operations.

SELECTED FINANCIAL INFORMATION

Results of Operations

	For the three months ended March 31,	
$ in thousands (except per share data)	2018	2017
Interest income	$ 208	$ 166
Salaries, general and administrative expenses	2,080	1,871
Loss on financial instruments at fair value	2,201	10,321
Other (income) expense, net	121	(125)
Tax Expense	2	-
Net loss	(4,196)	(11,901)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.02)

The Company had no revenues other than interest income from bank deposits for the three months ended March 31, 2018 and 2017. Interest income is directly related to the cash balance on hand and applicable interest rate during the respective periods.

Salaries, general and administrative expenses for the three months ended March 31, 2018 increased over the same period in 2017 due to general increases in corporate activities.

Financial instruments include derivative assets and derivative liabilities recorded at fair value, with changes in fair value being recorded as a loss (gain) on financial instruments at fair value in the condensed consolidated financial statements. The table below summarizes the sources of the loss on financial instruments at fair value for the three months ended March 31, 2018 and 2017:

	Derivative Assets (Liabilities)					
Derivative Asset/(Liabilities)	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Public Offering Warrants	Loan Fee Warrants	Gain (Loss)
Fair value at December 31, 2016	1,308	(21,178)	6,284	(4,261)	(512)	
Change in fair value	983	(2,627)	(8,413)	(323)	59	(10,321)
Fair value at March 31, 2017:	2,291	(23,805)	(2,129)	(4,584)	(453)	
Fair value at December 31, 2017:	2,789	(27,028)	(12,069)	-	(332)	
Change in fair value	33	366	(2,463)	-	(137)	(2,201)
Fair value at March 31, 2018:	2,822	(26,662)	(14,532)	-	(469)	

The net loss in fair value associated with the derivative assets and liabilities for the three months ended March 31, 2018 is due to changes in the assumptions underlying the derivatives. Key assumptions include the gold spot price, gold futures prices, risk-free interest and LIBOR rates, and the Company's assumptions around its production and debt repayment schedules. For the three-month period ended March 31, 2018 the primary driver of the net loss in fair value was an increase in the gold spot price to $1,322 at March 31, 2018 from $1,306 at December 31, 2017 and increases in the gold futures prices over the duration of the Stream and Offtake Agreements. While gold prices increased for the quarter, the historical volatility rates decreased, which drove the change in fair value of the Offtake Agreement. For the three-month period ended March 31, 2017 the net loss in fair value was primarily driven by an increase in the spot gold price from $1,150 at December 2016 to $1,247 at March 31, 2017.

There were 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:

$ in thousands	As of March 31, 2018	As of December 31, 2017
Current assets	$ 50,928	$ 55,964
Mineral property, plant & equipment, net	404,412	360,789
Other long term assets	52,706	50,230
Total assets	$ 508,046	$ 466,983
Current liabilities	$ 63,966	$ 53,150
Long term liabilities	226,461	194,777
Derivative liabilities	41,663	39,429
Equity	175,956	179,627
Total liabilities and equity	$ 508,046	$ 466,983

Currents assets consist primarily of cash, prepayments and materials and supplies inventory. Current assets decreased $5.0 million from December 31, 2017 due to cash expenditures for operations of $2.3 million and investing expenditures of $55.4 million, offset by cash provided from financing activities of $52.5 million.

Mineral property, plant and equipment consist primarily of the Amulsar Gold Project with an estimated cost of $425 million. Mineral property, plant and equipment, net, increased $43.6 million due to construction related expenditures at Amulsar. Details for the three months ended March 31, 2018 and 2017, respectively, are as follows:

$ in millions	For the three months ended March 31, 2018	For the three months ended March 31, 2017
General Project Costs	$ 4.7	$ 2.2
Infrastructure	-	0.4
Material Handling Systems	9.7	24.4
Heap Leach, ADR and Process Facilities	3.9	3.6
Site Services & Utilities	(1.6)	3.1
Indirect Costs	11.8	7.7
Owner's Costs	6.4	2.8
Mine Fleet	0.4	7.1
Other	1.1	-
Non-cash additions	7.6	2.7
	$ 44.0	$ 54.0

Certain amounts were reclassified to conform to current presentation

Long term assets increased $2.5 million due to additional VAT of $6.1 million and increases in financing costs of $4.1 million, offset by the transfer of financing costs to debt of $7.7 million.

Current liabilities increased $10.8 million from December 31, 2017 due to $23.4 million reclassification of current portion of debt offset by a reduction of amounts owed to vendors of $12.6 million.

Long term liabilities increased $31.7 million due to $56.4 million of draws under various debt arrangements, offset by the related financing costs and reclassification of the current portions of debt.

Equity decreased by $3.7 million primarily due to the Company's comprehensive loss recognized for the quarter of $4.2 million, offset by recognition of share-based compensation.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the three months ended March 31,	
$ in thousands	2018	2017
Cash and cash equivalents, beginning of period	$ 53,937	$ 137,196
Cash used in operations	(2,300)	(2,331)
Cash used in investing activities	(55,379)	(49,445)
Cash from (used) in financing activities	52,458	(1,375)
Foreign exchange effect on cash	10	(2)
Cash and cash equivalents, end of period	$ 48,726	$ 84,043

Cash used in operations for the three months ended March 31, 2018 is consistent with the prior year, as cash used in operations is related to corporate activities. Costs related to the construction of Amulsar are shown as investing related costs.

Cash used in investing activities increased $5.9 million over the same period in 2017 and relate to construction of Amulsar. The activities for the current quarter related to payments to vendors for earthworks, concrete, steel, electrical and installation work at the crushing and screening facility and conveyor, fabrication of the ADR Plant and truck shop, associated construction management costs and indirect costs. Prior years expenditures were engineering and infrastructure related.

Cash provided by financing activities increased $53.8 million over the same period in 2017 due the Company drawing on its debt facilities to fund the construction of Amulsar.

SUMMARY OF QUARTERLY RESULTS

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

	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net sales	$ -	$ -	$ -	$ -
Net income (loss)	$ (4,196)	$ (7,602)	$ (3,058)	$ (1,592)
Net income (loss) per share (basic and diluted)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)
	Q1 2017	**Q4 2016**	**Q3 2016**	**Q2 2016**
Net sales	$ -	$ -	$ -	$ -
Net income (loss)	$ (11,901)	$ 21,536	$ (3,947)	$ (13,906)
Net income (loss) per share (basic and diluted)	$ (0.02)	$ 0.03	$ (0.01)	$ (0.04)

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

OUTSTANDING SHARE DATA

A summary of the Company's share capital is:

	As of May 14, 2018	As of March 31, 2018	As of December 31, 2017
Ordinary shares	754,849,326	754,849,326	751,964,633
Warrants	5,000,000	5,000,000	5,000,000
Stock options	5,570,000	5,570,000	5,570,000
Restricted stock units	12,848,924	14,848,602	10,131,764

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of March 31, 2018 was $(13.0) million compared to $2.8 million as of December 31, 2017. This decrease of $15.8 million resulted from activities that included receipt of net proceeds from financing activities of $52.5 million, utilization of cash for investing activities of $55.4 million, with construction at Amulsar representing most of this amount, and $2.3 million of cash expended for operating activities. Working capital was also affected by changes in other current assets and current liabilities accounting for a net use of working capital totaling $10.6 million. Primary components of these other changes in working capital were a $23.4 million increase in debt due within one year, offset by a decrease in accounts payable of $12.6 million and an increase in other current assets of $0.2 million.

As announced previously, pre-operational costs at Amulsar are estimated at $425 million. Considering management's construction schedule prepared in April 2018, which reflects production commencing in Q4 2018 and ramp-up continuing into 2019, Lydian anticipates an additional funding requirement of $65 million. This estimate is sensitive to several key risk factors, a) including potential further changes to the schedule to achieve production and ramp up to a point of positive cash flow, b) additional pre-operational costs, and c) upcoming contractual commitments. Management continues to assess its funding requirements considering these and other risk factors.

To meet its working capital requirements throughout the remaining duration of construction at Amulsar and until Lydian becomes net cash flow positive, the Company is reliant upon continuing inflows of funds from its current financing plan, deferrals of certain debt repayments, and inflows of funds from new sources. Options under consideration for new sources of funding include issuing additional equity, increasing leveraged financing, and restructuring terms of the Stream Agreement. Any of these or other potential options will be dilutive to existing shareholders. To date, construction at Amulsar has continued without interruption while management seeks to implement a financing plan for its additional anticipated requirements. However, should funds not be available when needed or for less than required, Lydian may be forced to curtail or suspend construction. There can be no assurance that the Company will be able to provide for such additional funding requirements to the level required or within the time periods necessary to continue construction as planned.

In addition to the revised project financing requirements for Amulsar, the Company will require additional sources of working capital for near-term exploration opportunities, corporate purposes, 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 in its current financing plan and estimated additional requirements, actual costs may exceed these estimates. As a result, sources of funds 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 and satisfactorily fulfill the conditions of the Financing Transactions, equipment financing facilities, 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 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 to explore for and develop mineral properties, there are 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 use of proceeds for construction of Amulsar from the Financing Transactions, the equipment financing facilities with Ameriabank, Cat Financial, ING Bank, the EBRD Private Placement and exercise of the Public Offering - Warrants.

In Millions	Original Estimated Use of Proceeds	Actual use of proceeds through March 31, 2018
Direct costs	$ 161.8	$ 145.2
Construction indirect costs	32.5	34.9
Engineering, procurement, construction management	32.9	43.7
Owner's cost	35.2	17.2
Pre-production working capital	10.0	17.8
Mine fleet and mobile equipment	49.8	41.0
Freight	8.3	8.3
Contingency	37.6	-
Drilling	1.8	2.4
Total construction costs	$ 369.9	$ 310.5
Contingency is allocated out to the areas as needed.		

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 March 31,	
	2018	2017
State duty on mining and exploration license	$ 21	$ 21
Income tax paid on behalf of employees	2,519	826
Land rentals in local communities	192	211
Import taxes	815	102
Other taxes and duties	10	11
Land status change	-	3
	$ 3,557	$ 1,174

The amounts above were paid in Armenian drams, and converted to US$ using the annual 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 which 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 costs, 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 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 updates to estimates of capital and operating requirements, 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.

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 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.

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's net assets and liabilities are predominately held in US dollars, Canadian dollars, Armenian drams and Euros. Any impact from changes in currency values, to the US dollar are recognized as foreign currency gains or losses in the condensed consolidated statement of loss.

(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 has interest rates based on LIBOR. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on long term debt.

(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.

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.

On occasion, advances are paid to major suppliers relating to construction activities. The VAT receivable and rehabilitation payments are with the Republic of Armenia. The Company has reached an agreement with the Government of Armenia to off-set current amounts owed with respect to VAT and employee withholding against the refundable VAT receivable.

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).

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the three-month period ended March 31, 2018:

- $30.0 million gross loan draw from Term Facility
- $7.4 million loan draw from ING Term Facility
- $19.0 million loan draw from Cat Term Facility

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 Project. A portion of the consideration included a 3% NSR. However, as provided for in the purchase agreement, the Company exercised its option to terminate the 3% NSR and in lieu thereof, elected the quarterly payment option to 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. This commitment shall be recognized as a liability in the Company's consolidated financial statements when commercial production, defined by the purchase agreement, occurs.

The Company does not have any other 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 March 31, 2018
Up to one year	$ 1,720
More than one year and not later than five years	6,221
More than five years	8,385
	$ 16,326

Construction Contracts

The Company has entered into key equipment supply and major earthworks contracts for the 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 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. Commitments for construction activities as of March 31, 2018 were approximately $52.9 million.

RELATED PARTY TRANSACTIONS

Key management compensation, including board of directors fees is deemed a related party transaction, as outlined in the Management Information Circular and in Note 15 to the condensed consolidated financial statements for the period ended March 31, 2018.

CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

The Company's unaudited condensed consolidation financial statements are prepared in accordance with IFRS, including IAS 34, *Interim Financial Reporting.* The significant accounting policies applied and recent accounting pronouncements are described in Note 3 and Note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2017. There have been no significant changes in the Company's accounting policies applied to the condensed consolidated financial statements for the period ended March 31, 2018.

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 in instances when valuation is not readily apparent from other sources. These judgments, estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

Significant judgments made by management and applied in preparing the condensed consolidated financial statements for the period ended March 31, 2018 are consistent with those applied and disclosed Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017

Recent Accounting Pronouncements

The following new standards, interpretations and amendments to standards and interpretations were issued and effective for the current reporting period:

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 evaluated this change in the standard and there was no material impact from the adoption.

IFRS 2, Share based payments – In June 2016 the IASB issued an amendment clarifying the accounting treatment for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments were effective for annual periods beginning on or after January 1, 2018. The Company evaluated the change in this standard and there was no material impact from the adoption.

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 not covered under existing IFRS, 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, IFRS 15 has no material effect because the Company had no revenue from operations. The Company will apply the new standard upon commencement of production.

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning after January 1, 2019, and have not been early adopted. Pronouncements that are not applicable have been excluded from those described below.

IFRS 16, Leases – The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019. IFRS 16 may be applied before that date but only in conjunction with IFRS 15. The standard establishes principles to determine recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17, and related interpretations. The Company is evaluating the effect of the standard on its financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

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.

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 significant changes in the Company's ICFR that occurred during the period ended March 31, 2018 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 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 condensed consolidated financial statements. In addition, the appointment of João Carrêlo as President and Chief Executive Officer of Lydian International Limited, effective May 1, 2018, occurred during the period when the Company was in the process of finalizing this report and the corresponding condensed consolidated financial statements. Prior to Mr. Carrêlo's appointment, he had not been previously involved with the Company and, as such, his knowledge of the Company, its financial and operational affairs, and its internal controls is necessarily limited given his brief tenure as President and Chief Executive Officer of the Company.

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 Company's capital costs in relation to Amulsar; the Company's transition to operations at Amulsar, including progressing safety, health and environmental initiatives; 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 expenditures, performance and timing commitments made by the Company to licensing authorities for the Company's projects; the exposure to financial risks; the estimated mineral resources of Amulsar; potential future offerings and the expected use of proceeds from such offerings; the expected use of proceeds from 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 and success for the receipt of permits/licenses from the applicable authorities; the adjustment of the Company's capital structure; the expected timing of delivery of key equipment; the anticipated key design features for the mining operations at Amulsar; and the application of certain accounting standards, 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, the Euro and the US 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). In addition, the appointment of João Carrêlo as President and Chief Executive Officer of Lydian International Limited, effective May 1, 2018, occurred during the period when the Company was in the process of finalizing this report including the forward-looking statements contained herein. Prior to Mr. Carrêlo's appointment, he had not been previously involved with the Company and, as such, his knowledge of the Company and his ability to independently assess the forward-looking statements and underlying assumptions contained in this report is necessarily limited given his brief tenure as President and Chief Executive Officer of the Company. 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 27, 2018 for the year ended December 31, 2017;

"*Ameriabank*" means Ameriabank CJSC;

"*Ameriabank Term Facility*" means the $24 million secured credit facility, dated November 17, 2016, between Lydian Armenia and Ameriabank;

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

"C$" means Canadian dollar;

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

"Cat Term Facility" means the $42 million secured credit facility, dated December 22, 2016, between Lydian Armenia and Cat Financial;

"*Company*" or "*Corporation*" 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;

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

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

"EBRD Private Placement" means the private placement closed by the Corporation on August 15, 2016 with the EBRD, for an aggregate of 33,500,000 Ordinary Shares at a price of C$0.34 per share, for aggregate gross proceeds of C$11,390,000;

"*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.;

"*ING Term Facility*" means a secured credit facility, dated February 8, 2017, between Lydian Armenia and ING Bank for a maximum principal amount of up to $50 million, which was amended on December 14, 2017;

"*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 offering completed on March 17, 2016, in connection with the Financing Transactions, of an aggregate of 115,000,000 Subscription Receipts in the capital of the Corporation, at a price of C$0.29 per Subscription Receipt, pursuant to the Corporation's final Short Form Prospectus dated March 11, 2016;

"*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;

"*Q1 2017 Technical Report*" means the "NI 43-101 Technical Report, Amulsar Updated Resources and Reserves, Armenia, dated March 21, 2017";

"Q1 2018" means the three-month period ended March 31, 2018;

"Q2 2018" means the three-month period ended June 30, 2018;

"*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 (gold and silver) dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Stream Agreement is a componet of the Financing Transactions.
“*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 Facility*” means the $160 million Term Facility Agreement, dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Term Facility is a component of the Financing Transactions;

“VAT” means value added tax

“*Warrants*” means a whole Ordinary Share purchase warrant of the Corporation (subject in each case to adjustment in certain circumstances) resulting from the three-quarters of on Ordinary Share purchase warrant issued in connection with the Subscription Receipts. Also described as Public Offering – Warrants.
Also described as Public Offering – Warrants.