LYDIAN INTERNATIONAL LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian" or the "Corporation") for the year ended December 31, 2015 and are dated March 30, 2016. This MD&A should be read in conjunction with the Corporation's audited annual consolidated financial statements and the notes thereto as of and for the year ended December 31, 2015. All financial information has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All monetary figures are expressed in United States Dollars unless otherwise indicated. Canadian Dollars are referred to as "C$" and Armenian Dram are referred to as "AMD".

CAUTIONARY NOTE REGARDING 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 Corporation. 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" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. 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 Corporation 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 Corporation 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 Corporation's projects;
- the availability of financing for the Corporation'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 the Amulsar Gold Project;

- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;
- tax rates, including the allocation of certain tax attributed to the Amulsar Gold Project;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of the Amulsar Gold Project;
- that the 5% discount rate used to complete the Q4 2015 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; and
- the accuracy of the Corporation'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.

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 Corporation's mine plan or profitability or to the Company's asset profile that might alter the allocation of tax attributes to the Amulsar Gold Project; 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 Corporation 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 Q4 2015 Technical Report, including the risk that the assumptions underlying the Q4 2015 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 the Amulsar Gold Project. 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 Corporation 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 Corporation 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 Annual Information Form and other filings available on SEDAR at www.sedar.com.

Cautionary Note to United States Investors Concerning 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 U.S. Securities and Exchange Commission ("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.

2015 HIGHLIGHTS

Lydian is an emerging gold developer, focusing on its 100% owned Amulsar Gold Project. Amulsar is a compelling opportunity for a large scale, low cost operation utilizing open pit mining and conventional heap leach processing. It will be Armenia's largest gold mine, with estimated mineral resources containing 3 million measured and indicated ounces and 2 million inferred ounces. Gold production is targeted to average 200,000 ounces annually over a 10 year mine life, with additional upside from existing inferred mineral resources and open extensions.

Lydian underwent a pivotal transition during 2015 as it prepared to move the Amulsar Gold Project toward development. The year was highlighted by a number of important events:

Financings

Construction Financing Package – On November 30, 2015, the Company and Geoteam CJSC ("Geoteam") entered into a series of financing transactions in an aggregate amount of $325 million with Orion Co IV (ED) Limited, Orion Co IV (SO) Limited and Resource Capital Fund VI L.P., 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 and working capital requirements of the Amulsar Gold Project, and for corporate and working capital purposes. The financing transactions include: (i) a stream agreement (the "Stream Agreement"), (ii) a credit agreement (the "Credit Agreement"), which includes both a term facility (the "Term Facility") and a cost overrun facility (the "COF", and collectively with the Term Facility, the "Debt Financing Facilities"), (iii) a gold and silver offtake agreement (the "Gold Offtake"), and (iv) the Private Placements (defined below). In December 2015, $25 million was advanced to the Corporation under the Stream Agreement.

Bought Deal and IFC Participation - The Corporation completed two offerings of Ordinary Shares during the year, a bought deal transaction whereby the Company issued and sold 30,000,000 Ordinary Shares at a price C$0.55 per Ordinary Share. Proceeds net of issuance costs were $12.1 million. In connection with the Offering, the IFC exercised its pre-emptive right to purchase Ordinary Shares of the Corporation on a private placement basis, which included an aggregate of 2,478,661 Ordinary Shares at a purchase price of C$0.55 per Share, for aggregate gross proceeds of $1.1 million (the “IFC Private Placement”). The IFC Private Placement closed on March 25, 2015.

Project Economic Improvements

Value engineering efforts undertaken during the year resulted in $56 million reduction in capital costs and reduced operating costs without negatively impacting environmental or social considerations as outlined in the Q4 2015 Technical Report, completed in November 2015.

Environmental Programs Advanced

The Environmental and Social Impact Assessment (“ESIA”) was publically disclosed in late H1 2015. The ESIA is an important document and will be a cornerstone for developing international best practices during construction and operations. Public consultation meetings were held during early Q3 2015. Two key biodiversity studies around the brown bear and the *Potentilla porphyrantha* were advanced, and ongoing air and water monitoring continued.

Following completion of the Q4 2015 Technical Report, the Corporation undertook to amend the ESIA, Mining Right, and EIA to reflect changes resulting from the Q4 Technical Report and the updated schedule for development and construction of the Amulsar Gold Project. These activities are ongoing.

Land Acquisition

Land acquisition for private land parcels within the footprint of the HLF and other plant facilities is approximately 98% complete and four remaining parcels are subject to administrative procedures. Expropriation will be utilized if purchase terms or land-for-land swaps cannot be concluded. Certain other parcels will be acquired or rented along the overland conveyor corridor and mine access roads. Planning has started for securing rights to these latter parcels, and the associated land acquisition and livelihood restoration plan was published during Q1 2016.

2016 OUTLOOK

Completion of the Amulsar Q4 2015 Technical Report and the Financing provided a basis to initiated pre-construction activities during H1 2016. Construction at Amulsar is then expected to begin by mid-2016. Key work programs for 2016 include:

Project Financing – Continuation of project activities is depended upon completing the conditions precedent to the Financing of $325 million arranged in Q4 2015, which among others includes securing aggregate gross proceeds of not less than $25 million from a public offering, arranging equipment financing for not less than $70 million, and receiving a favorable vote from existing shareholders in respect of the $80 million equity Private Placements. These and other project financing activities shall be an ongoing priority throughout 2016.

Government Approvals and Construction-Related Permits – The Q4 2015 Technical Report has caused the Corporation to made submissions to amend both the Mining Right and EIA to reflect project design changes and to update the schedule for development and construction of the Amulsar Gold Project. These amendments are being sought during H1 2016. Also, application for other construction-related permits is expected to begin during Q2 2016 and continue as needed throughout 2016 and beyond.

ESIA Amendment –The ESIA is being amended for similar reasons as the Mining Right and EIA. Additional studies are ongoing, and will be followed by public consultations. A final amended ESIA is expected to be available for disclosure during H1 2016. This is an important process in meeting the Corporation's environmental and social commitments to its stakeholders.

Land Acquisition – Lydian acquired a substantial portion of the surface rights in the area of the HLF during 2015, with the remaining plots expected to be acquired during 2016. Management is also completed planning activities to acquire surface rights along the new conveyor route and in other areas within the project footprint. This program is expected to initiate during Q2 2016 and continue throughout much of the balance of the year. The process to convert lands acquired from agricultural use to industry use will also be done during 2016.

Environmental and Social Responsibility – Previously initiated programs such as *Potentilla porphyrantha* translocation, the brown bear survey, community relations, and stakeholder engagement are expected to continue. New programs to investigate possible biodiversity offset areas, perform archeological surveys, and complete local health-related baseline studies are planned.

Engineering – Basic engineering is expected to being during Q2 2016, with initial emphasis on the HLF, access roads, and infrastructure. Major equipment design packages will be let once equipment financing mandates are established, allowing greater vendor participation at the design phase.

Construction – Initiating construction is expected this year once key milestones of the preceding work programs have been completed. Prior to starting facilities construction, management will focus on a number of pre-construction activities such as temporary facilities, infrastructure, and site access.

BUSINESS OVERVIEW

The Corporation was incorporated under the Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the Corporation were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Corporation 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 Corporation was continued under the laws of Jersey from the Province of Alberta. The registered and head office of Lydian is located at Suite 3, 5/6 Esplanade, St. Helier, Jersey, JE2 3QA, Channel Islands. The Corporation also has a local office at 37 Hanrapetutyan Street, 4th floor, Yerevan 0010, Republic of Armenia. The Corporation's Ordinary Shares began trading on TSX on January 10, 2008 under the symbol "LYD".

The Corporation is a gold-focused mineral development corporation pursuing large, high-quality resources in emerging and transitional geopolitical regions. The Corporation's main project is the Amulsar Project, a gold development-stage project located in the Republic of Armenia. The Q4 2015 Technical Report outlines a mine development and construction plan for an operation designed to average over 200,000 ounces of gold per year over an initial 10 year mine life. Existing mineral resources and open extension provide opportunity to improve average annual production and extend mine life.

The Corporation's strategy is to implement mine development and construction plans for the Amulsar Project as described in the Q4 2015 Technical Report and to transition to a gold producer. To this end, the Corporation is focused on obtaining additional funds to complete its mine development and construction plans for the Amulsar Gold Project.

In addition, the Corporation holds a combined exploration-mining license covering an early-stage gold prospect known as the "Kela Project" in the Guri region of the Ozurgeti province in Georgia. At the present time, the Kela Project does not comprise a material aspect of the Corporation's business operations.

FOURTH QUARTER AND RECENT DEVELOPMENTS

Financings

On November 30, 2015, the Company entered into a series of financing transactions in an aggregate amount of $325 million (collectively, the "Financing Transactions" and each, a "Financing Transaction") with Orion Co IV (ED) Limited, Orion Co IV (SO) Limited (both, "Orion") and Resource Capital Fund VI L.P. ("RCF" and, together with Orion, the "Investors" and each, an "Investor"), 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 and working capital requirements of the Amulsar Gold Project, and for corporate and working capital purposes as more fully described above.

On March 17, 2016, the Company completed its previously announced offering (the "Offering") of an aggregate of 115,000,000 subscription receipts (the "Subscription Receipts") in the capital of the Corporation, at a price of C$0.29 per Subscription Receipt, pursuant to the Company's final short form prospectus dated March 11, 2016. In connection with the Offering, the Company issued a further 17,250,000 Subscription Receipts pursuant to the over-allotment option granted to the underwriters. The closing of the over-allotment option occurred on March 23, 2016. Each Subscription Receipt will entitle the holder thereof to receive, upon the satisfaction or waiver of the escrow release conditions without payment of additional consideration or further action, one Ordinary Share in the capital of the Corporation and three-quarters of one Ordinary Share purchase warrant of the Corporation (each whole ordinary share purchase warrant, a "Warrant") (subject in each case to customary adjustments in certain circumstances). Each Warrant will entitle the holder to purchase one ordinary share of the Corporation (each a "Warrant Share") at a price of C$0.36 for a period of 18 months following their date of issuance. The Warrants will be governed under a warrant indenture (to be entered into on or about the date of the satisfaction of the escrow release conditions) that, among other things, will provide for standard anti-dilution provisions and other terms and conditions customary for agreements of such nature. The gross proceeds of C$38,352,500 (which includes the Offering and the exercise of the over-allotment option), less 50% of the underwriters' fee, and all interest and other income thereon, will be held by Computershare Trust Company of Canada (the "Subscription Receipt Agent") until the satisfaction of the escrow release conditions, pursuant to a subscription receipt agreement dated March 17, 2016 between the Corporation, Scotia Capital Inc. and the Subscription Receipt Agent.

Scotia Capital Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., National Bank Financial Inc. and Sprott Private Wealth L.P. were the underwriters for the Offering.

On March 11, 2016, in connection with the Financing Transactions, the Company entered into subscription agreements with each of the Investors (together, the “Subscription Agreements”) to effect the private placements at a price of C$0.30 per Ordinary Share to the Investors (the “Private Placement Ordinary Shares”) as follows: (1) $55 million of Private Placement Ordinary Shares to RCF; and (2) $25 million of Private Placement Ordinary Shares to Orion, (together, the “Private Placements”), in each case subject to the applicable exchange rate. The number of Private Placement Ordinary Shares to be issued to subscribers will be determined based on the Bank of Canada CAD/USD noon exchange rate on the Business Day prior to the date of the closing of the Private Placements. Concurrently with the closing of the Private Placements, the Corporation will grant Orion and RCF an aggregate of 5,000,000 warrants (the “Initial Warrants”). Each Initial Warrant will entitle the holder to purchase one ordinary share of the Corporation at a price of C$0.39 for a period of 36 months from their date of issuance. The Private Placements are expected to close upon the satisfaction of the escrow release conditions under the Offering.

Certain of the Corporation’s pre-existing strategic shareholders have pre-emptive rights which may be exercised in respect of the 2016 Offering and the Private Placements.

AMULSAR GOLD PROJECT - PROJECT UPDATE

The Company filed a National Instrument 43-101 Technical Report on November 25, 2015, the Q4 2015 Technical Report which outlines the following results:

- Initial capital costs of $370 million,
- All-in sustaining costs of $585/oz of gold,
- A 2.4:1 waste to ore stripping ratio
- Total recoverable gold of 2.1 million ounces over a 10 year mine life;
- Gold production averaging 243,000 ounces per year during the first five years and an overall average of 211,000 ounces per year over the life of mine;
- Accelerated after-tax cash flows of $567 million during the first five years of operations to support early payback of project debt and equipment financing;
- Over 100 million tonnes of inferred mineral resources and potentially mineralized zones adjacent to and below currently defined mineral resources and reserves; and
- After-tax unleveraged IRR of 21.6% and NPV of $338 million based on a discount rate of 5% and a gold price of $1,150 per ounce.

The scientific and technical information in this Technical Report has been reviewed and approved by Matt Bender, P.E., who is a "qualified person" for the purposes of NI 43-101.

SELECTED FINANCIAL INFORMATION

Results of Operations

	For the years ended December 31,			For the three months ended December 31,	
	2015	2014	2013	2015	2014
Interest income	$ 28,901	$ 75,871	$ 114,359	$ 12,839	$ 3,124
Total expenses	6,442,273	8,979,083	9,635,078	1,783,704	2,735,657
Net loss	(6,413,372)	(8,903,212)	(9,520,719)	(1,770,865)	(2,732,533)
Net loss per share (basic and diluted)	$ (0.04)	$ (0.06)	$ (0.07)	$ (0.01)	$ (0.02)

During the quarter and year ended December 31, 2015, the Corporation had no revenues other than interest income from bank deposits.

For year ended December 31, 2015, the Corporation recorded a net loss of $6.41 million ($0.04 per share) compared to $8.90 million ($0.06 per share) during the corresponding period in 2014, or net loss was reduced by 28%. The reduction in net loss for the year ended December 31, 2015 is related to overall lower general and administrative costs, lower salaries and benefits in 2015 related to certain one-time costs in 2014, offset by a foreign exchange losses in 2015. Salaries and benefits were reduced $1.12 million over prior year due to one-time costs in 2014 of $0.54 million for severance, $0.58 million related to bonuses, and $0.06 million of other items. Share based compensation was reduced by $1.37 million over 2014 as 2014 included one-time costs associated with appointment of a new executive team and additional board members. General and administrative were reduced by $0.96 million compared to 2014 due to one-time costs associated with a donation to a charitable education fund and costs to recruit and hire the executive team. Other reductions in general and administrative costs are related to efforts to reduce non-discretionary costs to focus on furthering development of the Amulsar Gold Project. The reductions in salaries, share-based compensation and general and administrative costs were offset by an increase in Other expenses, in particular an increase of foreign currency losses by $0.74 million

During the quarter and year ended December, 2015, there were fluctuations between the British Pound, Canadian Dollar, Euro, Armenian Dram, Georgian Lari and the US Dollar. This resulted in changes to the value of the Corporation’s exploration and evaluation assets as reported in US Dollars. Details of these changes are set out below under the caption “Exploration and evaluation assets.”

There were no extraordinary transactions or significant end of reporting period adjustments during the quarter and year ended December 31, 2015.

Fourth Quarter Results

For the quarter ended December 31, 2015, the Corporation recorded a net loss of $1,770,865 ($0.01 per share) compared to $2,732,533 ($0.02 per share) during the corresponding period in 2014. The reduction in net loss relates primarily to bonuses in 2014 for achievement of milestones related to advancing the Amulsar Gold Project of $0.58 million and $0.30 million related to a one-time charitable donation and miscellaneous other savings.

Income Tax Expense

There was no income tax payable by the Corporation for the quarters and years ended December 31, 2015 and 2014.

Summary of Balance Sheet Data

The following table summarises the Corporation's financial position:

	As of			
	December 31, 2015		December 31, 2014	
Cash and Short-term Investments	$	28,553,813	$	11,048,339
Other Current Assets		518,012		1,059,576
Property Plant & Equipment, net		5,508,488		2,433,329
Exploration and Evaluation Asset		67,197,151		58,921,727
Other Non-current Assets		6,171,506		3,208,310
Total Assets	$	107,948,970	$	76,671,281
Current Liabilities	$	26,935,925	$	1,577,426
Non-current Liabilities		338,498	$	344,754
Total Equity		80,674,547	$	74,749,101
Total Liabilities and Equity	$	107,948,970	$	76,671,281

During the year ended December 31, 2015, cash and short-term investments increased by $17.5 million or 158% due to receipt of proceeds from the stream agreement of $25 million, net proceeds of $13.1 million from the February 2015 offering, offset by operating, investing and financing payments throughout the year.

During the year ended December 31, 2015, the net balance in property, plant and equipment increased by $3.1 million primarily as a results of acquiring land surface rights of $3.7 million offset by depreciation of $0.79 million and the effect of foreign currency translation.

The Corporation's exploration and evaluation assets ("EEA") increased by $8.28 million (net) during the year ended December 31, 2015. Additions of $9.6 million to EEA incurred during 2015 were offset by $1.3 million of a non-cash foreign currency translation loss as the USD strengthened against the Armenian Dram and the Georgian Lari, in which currencies the EEA is denominated. This foreign currency translation loss was recorded directly to other comprehensive loss.

Summary of Cash Flows

The following table is a summary of cash flows for the years ended December 31:

	For the year ended December 31, 2015	2014
Cash used in operations	$ (6,797,494)	$ (6,895,418)
Cash used in investing activities	(10,660,856)	(10,311,172)
Cash generated from financing activities	35,881,164	18,874,821
Increase in cash and cash equivalents	18,422,814	1,668,231
Foreign exchange effect on cash	682,660	(769,019)
Cash and cash equivalents, beginning of period	9,448,339	8,549,127
Cash and cash equivalents, end of period	$ 28,553,813	$ 9,448,339

Cash used in operations remained relatively flat year over year, consistent with the Corporation's focus of holding overall general and administrative costs stable.

Cash used in investing activities increased by $0.35 million over prior year due to a focus on land acquisition in 2015 offset by proceeds from a money market redemption. Additions to exploration and evaluation asset remained fairly consistent year over year. Expenditures in 2015 related primarily to additional metallurgical testing, completion of the Q4 2015 Technical report, project execution planning and the continue biodiversity work efforts.

Cash generated by financing activities increased $17 million over the prior year due to the advance under the stream agreement of $25 million, $13.1 of net proceeds from the 2015 Offering and private placement, offset by $2.3 million of financing costs, compared to $18.9 million of net proceeds from the 2014 Offering in the prior year.

Exploration and evaluation assets

Exploration and evaluation assets include the cost of mineral licenses as well as costs incurred directly in exploration and evaluation.

Exploration, evaluation and project development costs incurred during the year ended December 31, 2015 were $9,584,651 compared to $9,932,095 for the year ended December 31, 2014. The cumulative amount of such costs as of December 31, 2015 and December 31, 2014 were:

Project	December 31, 2015	December 31, 2014
Amulsar Gold Project - Armenia	$ 66,762,201	$ 58,376,135
Kela Project – Georgia	434,950	545,592
Total	$ 67,197,151	$ 58,921,727

Expenditures for exploration and evaluation assets are recorded in the Corporation's accounts in Armenian Drams for the Amulsar Gold Project and in Georgian Lari for the Kela Project. Both currencies are translated to US Dollars for financial statement presentation purposes. During the year ended December 31, 2015, investments in the Amulsar Gold Project totaled to $9.6 million, offset by $1.2 million as result of translation exchange rate differences. During the year ended December 31, 2015, the Armenian Dram lost value towards other currencies including US Dollar. During the year ended December 31, 2015, the Corporation had minimal investments in the Kela Project and US Dollar strengthened against the Georgian Lari, resulting in a net reduction in the EEA balance of $0.11 million. There was no impact on the Corporation's working capital resulting from these translations for reporting purposes.

The following table represents expenditures capitalized at the Amulsar Gold Project during the year ended December 31, 2015 and the corresponding period in 2014:

	December 31,	
	2015	2014
Project development(1)	$ 6,138,056	$ 5,427,981
Capitalized salaries	869,055	668,453
Professional studies / consultants	40,022	357,766
Laboratory analyses	65,854	113,096
Supplies and materials	114,396	146,489
Exploration drilling(2)	105,035	82,964
Capitalized depreciation and amortization	719,583	844,810
Capitalized interest	323,311	-
Land rents	983,980	1,069,855
Equipment rental	65,551	126,622
State duties and fees	21,132	24,520
Field food and accommodation	65,512	74,912
Fixed assets refurbishment	41,743	46,539
Rehabilitation reserves	-	328,013
Discount of rehabilitation guaranty prepayment	-	581,295
Other	2,273	38,780
Total	$ 9,555,503	$ 9,932,095

(1)Project development expenditures incurred for engineering design, feasibility study preparation, project planning, environmental studies and reports, and other consulting.
(2)Drilling in 2015 and 2014 was limited to geotechnical drilling associated with the engineering design.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of results from the Corporation's eight most recently completed quarters:

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net sales	$ -	$ -	$ -	$ -
Net loss	$ (1,770,865)	$ (757,414)	$ (2,113,061)	$ (1,772,032)
Net loss per share (basic and diluted)	$ (0.01)	$ -	$ (0.01)	$ (0.01)

	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net sales	$ -	$ -	$ -	$ -
Net loss	$ (2,732,533)	$ (1,686,501)	$ (2,835,604)	$ (1,648,574)
Net loss per share (basic and diluted)	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.01)

The Corporation's financial results are not significantly impacted by seasonality. Expenses vary primarily due to timing of foreign currency gains and losses.

USE OF PROCEEDS FROM FINANCING

On February 2, 2015, the Corporation completed a bought deal financing (the "**2015 Offering**"). In the final prospectus related to the 2015 Offering, the Corporation estimated that the net proceeds, assuming the exercise of the over-allotment option, would be C$17,931,725. The following comparative table summarizes the disclosure made by the Corporation in the final prospectus for the 2015 Offering about the use of net proceeds and includes a description of the variances, if any, followed by an explanation of the impact of any such variances on Corporation's ability to achieve its business objectives.

	Proposed Use of Proceeds(1)	Actual Use of Proceeds(2)	Variance	Explanation
Planning, engineering and early works	C$6,100,000	C$6,700,000	C$(600,000)	Additional test work, completion of the Q4 2015 Technical Report, and additional engineering work around the ESIA addendum.
Land Acquisition	C$6,700,000	C$4,700,000	C$2,000,000	Land acquired for Phase 1 & 2 as planned, change of land status to industrial use deferred
Land Access and Rental	C$700,000	C$1,200,000	C$(500,000)	The land rentals were not reduced to the new layout as quickly as planned
Environmental and Social	C$1,500,000	C$1,660,000	C$(160,000)	ESIA required an addendum due to the change in the general layout
Drilling	C$1,700,000	C$140,000	C$1,560,000	Drilling program deferred
Debt Financing	C$1,200,000	C$3,700,000	C$(2,500,000)	A definitive agreement was entered into on November 30, 2015 for a $325 million construction financing package. Completion of a full construction financing was not contemplated at the time of the prospectus.
Total 2015 Costs	C$17,900,000	C$18,100,000	C$(200,000)	

Note:

(1) Proposed use of proceeds from the 2015 Offering including those received from the exercise of the over-allotment option in connection therewith.

(2) Converted to Canadian dollars at the 2015 average foreign exchange rate.

OUTSTANDING SHARE DATA

A summary of outstanding shares, share options and warrants is set out below.

		As of December 31,	
	As of March 30, 2016	2015	2014
Ordinary Shares	184,632,587	184,632,587	152,153,926
Subscription Receipts	132,250,000	-	-
Stock options	6,560,000	6,900,000	5,650,000

MANAGEMENT AND STAFFING

During the quarter ended December 31, 2015 and through the date of this MD&A, changes in the key management and staffing of the Corporation including Didier Fohlen's resignation as EVP Sustainability on February 3, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Working capital of as of December 31, 2015 was $2.1 million compared to $10.5 million as of December 31, 2014. This decrease in working capital was primarily the result of recording a $24.9 million obligation for the advance under the stream agreement as a current liability. Upon satisfactory completion of certain conditions precedent under the terms of the Financing, management expects to reclassify this obligation to non-current liabilities. Therefore, the Corporation’s principal source of liquidity as of December 31, 2015 was $26.5 million, representing cash on hand less accounts payable and accrued liabilities. As discussed in the 2016 Outlook, this level of funding is sufficient to initiate a number of work programs during H1 2016, but will not meet all project financing requirements for 2016.

The Financing of $325 million arranged in Q4 2015, will provide approximately 75% of the estimated Amulsar project financing requirements. An initial advance under the stream agreement was received in December 2015. The balance of this financing is subject to various conditions precedent, which among others include securing aggregate gross proceeds of not less than $25 million from a public offering, arranging equipment financing for not less than $70 million, and receiving a favorable vote from existing shareholders in respect of the $80 million equity Private Placements. In the absence of satisfying or receiving waivers for all conditions precedent, the balance of the funds anticipated by the Financing will not be available as required to advance Amulsar’s construction as planned.

In addition to project financing requirements for Amulsar, the Corporation will require additional sources of working capital for near-term exploration opportunities, corporate purposes, and other contractual obligations when due. The Corporation is subject to certain reimbursement limitations under the terms of the Financing. Therefore, available cash on hand prior to the financing and ongoing allowable reimbursements may be insufficient, and may require the Corporation to issue additional ordinary shares to fund its non-Amulsar related expenditures.

The ability to secure the remaining financing requirements for Amulsar, draw upon such sources when needed, and meet other obligations of the Corporation when due is uncertain. The Corporation will be required to substantially curtail or defer most activities if financing cannot be secured and drawn as needed.

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

While the Corporation believes it can accomplish its stated business and financing objectives, participation in the exploration for and development of mineral properties has a number of inherent risks. See Additional Information and Risk Factors, below, for factors that may impact the timing and success of the Corporation’s planned activities in connection with the Amulsar Gold Project.

The Corporation has made certain expenditure, performance and timing commitments to the licensing authorities for the Corporation'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.

TAXES PAID IN ARMENIA

LYDIAN INTERNATIONAL LIMITED IN ARMENIA

Summary of payments to the Armenian State Budgets and local community governments[2]

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 Corporation 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 year ended December 31,	
	2015	2014
State duty on mining and exploration license	$21,132	$24,520
Income tax paid on behalf of employees	853,749	427,306
Land rentals in local communities	992,705	1,076,651
Rehabilitation guarantee prepayments and post mining monitoring[1]	-	763,263
Other taxes and duties	430,053	141,063
Total	$2,297,639	$2,432,803

(1) As explained below in the mining agreement, Geoteam paid a deposit to Government of Armenia as guarantee for post mining environmental rehabilitation and for ongoing monitoring.

(2) The amounts above were paid in Armenian drams, and converted to US$ using the annual average exchange rate for this report.

FINANCIAL AND OTHER INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, other receivables, the rehabilitation prepayment, accounts payable, accrued liabilities and the advances under the stream agreement. The fair value of the financial assets and financial liabilities approximates their carrying value. The Corporation has delivery obligations under the stream which are contingent upon satisfactory completion of conditions precedent. Until these conditions precedent are satisfied, the advance is treated as a financial liability, and is carried at amortized cost. The Corporation's exposure to changes in market interest rates, relates primarily to the Corporation's earned interest income on cash deposits and short term investments. The Corporation maintains a balance between the liquidity of cash assets and the interest rate return thereon. The carrying amount of financial assets, net of any provisions for losses, represents the Corporation's maximum exposure to credit risk.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF BALANCE SHEET ARRANGEMENTS

Significant contracts existing as of December 31, 2015 are described below:

The Financing commitments consist of a:

- $60 million gold and silver stream;
- $80 million equity Private Placements;
- $160 million term loan facility; and
- $25 million cost overrun facility.

The total financing requirement to fund construction of Amulsar is estimated to be $395 million, consisting of initial capital costs of $370 million plus an estimated $25 million for financing and other construction-period costs. The Financing (not including the cost overrun facility), along with an anticipated equipment lease facility of $70 million and public equity offering of a minimum of $25 million, is expected to substantially finance construction of Amulsar Gold Project. The cost overrun facility of $25 million is also provided in the event costs exceed the initial capital cost estimate. Funding under the Financing will occur in various stages and is subject to applicable conditions precedent. An initial $25 million advance under the stream agreement was provided to the Corporation during December 2015.

Stream Agreement

- $60 million will be advanced in two deposits. The initial deposit of $25 million was advanced on December 8, 2015 upon meeting the conditions precedent of closing. A second deposit of $35 million will be advanced three to nine months following the closing of the stream component of the Financing and upon satisfactory completion of conditions precedent, which include, among other things, completion of the equity private placement by Orion and RCF, a public equity offering of not less than $25 million (together, the "Equity Financing").
- The stream applies to 6.75% of the gold production up to 2.1 million refined ounces and 100% of silver production up to 0.7 million refined ounces.
- Upon delivery of refined precious metal ounces, the Company will receive a cash payment of the lower of prevailing market prices or $400/oz for gold and $4/oz for silver, each subject to 1% per annum escalation beginning on the third anniversary of the project achieving commercial production.
- The Company may elect to reduce the amount of refined gold and refined silver to be delivered and sold under the stream agreement by 50% on either the second or the third anniversaries of achieving commercial production by making a payment of $55 million or $50 million, respectively.
- In the event that shareholder approval for the equity private placement (described below) is not obtained or in the event the Equity Financing is not completed within nine months from the date of the stream agreement, the Company will, subject to certain conditions, be able to repurchase the stream for the amount of the initial deposit plus interest, or leave it in place at a 25% reduction of the deliverable metals.
- Security for performance of the obligations under the stream agreement include, among other things: guarantees of the Company and its subsidiaries, share pledges, and a mortgage over the assets and rights of the Company's Armenian operating subsidiary, Geoteam CJSC.

Equity Private Placements

- Orion and RCF have committed to purchase $80 million worth of Lydian's ordinary shares through a non-brokered equity private placement to be completed with a minimum of $25 million public equity offering. The equity Private Placements to Orion and RCF will be priced of C$0.30 per Lydian ordinary share.
- Each of Orion and RCF will receive participation rights in any future equity or equity linked offerings by the Company. Each subscriber will also receive the right to nominate one director so long as equity ownership remains above 10% and a second director so long as ownership exceeds 20%.
- Lydian intends to convene an extraordinay general meeting of shareholders on May 18, 2016 to seek shareholder approval for the equity private placement in accordance with the requirements of the Toronto Stock Exchange.

Term Loan Facility

- A senior secured term loan facility for $160 million will be provided by Orion and RCF. An initial tranche of $50 million will be made available following completion of funding under the Equity Financing and the stream agreement and upon satisfactory completion of conditions precedent, and will continue to be available through September 30, 2016. Thereafter, the second tranche of $110 million will be available for advance until September 30, 2017.
- Interest on the term loan facility will be based on the 3-month dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin.
- Interest shall accrue and be capitalized to the term loan facility prior to June 30, 2018. From and after that date, interest will be paid on a quarterly basis. Principal (including capitalized interest) will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow beginning June 30, 2018 and continuing through maturity on September 30, 2021.
- The term loan facility does not require any hedging commitments or reserve accounts.
- Orion and RCF will receive an aggregate of 5 million ordinary share purchase warrants, issuable upon closing of the public equity offering. The warrants will have a three-year term and a strike price equal to 130% of the subscription price of the public equity offering.
- Security for performance of the obligations under the term loan facility will be identical to security for the stream agreement, and will rank *pari passu* with the security for the stream obligations.

Cost Overrun Facility *("COF")*

- A senior secured COF for $25 million will be provided by Orion and RCF, and will be available, upon satisfactory completion of conditions precedent and provided any projected overrun is within the amount of the COF plus other sources of funds available to the Company and the project is still estimated to achieve commercial production as scheduled.
- Interest on the COF will be based on the 3-month dollar LIBOR rate, subject to a minimum of 1%, plus a 9.5% margin.
- A cash sweep of 30% of excess cash flow will be used to repay the COF. Any remaining balance will be due in full on September 30, 2020. Early repayment may be made in full or part at any time without penalty.

- If the COF is drawn, Orion and RCF will receive an aggregate of 5 million ordinary share purchase warrants in connection with COF. If issued, the warrants will have a three-year term and a strike price equal to 130% of the volume weighted average closing price of the Company's ordinary shares during the 20 business days preceding initial drawdown of the COF.
- Security provided to secure the term loan facility will also secure obligations under the COF.
- In the event the $25 million public equity offering is oversubscribed, then 50% of the excess proceeds will be applied to reduce the availability of the cost overrun facility and the term loan facility, in that order.

Offtake Agreement

- Applies to 100% of gold production up to 2.1 million refined ounces less gold ounces deliverable under the stream agreement.
- Orion and RCF will pay for refined gold based on prevailing market prices during a quotational period following each delivery.
- The quotational period will be reduced subject to the fulfillment of certain milestones.
- In the event the Company is unable to meet the conditions precedent to the second deposit under the stream agreement due to inability to receive shareholder approval for the equity private placement, the offtake agreement will remain in place but with a reduced quotational period.

Newmont Transaction

On April 23, 2010, the Corporation purchased from Newmont all of Newmont's interest in the former joint venture between the Corporation and Newmont known as the Caucasus Venture, including all of Newmont's interest in the Amulsar Gold Project in Armenia. The consideration was a mixture of committed and contingent payments. The committed payments included issuance and three payments of $5 million, of which: the first was paid in 2010; the second was due on December 31, 2011 and paid on March 13, 2012, together with interest owing thereon; and the third was due on December 31, 2012 and paid on October 25, 2013, together with interest in the amount $409,669 of that was owing thereon. In addition, the Corporation agreed to pay Newmont, following the start of commercial production at the Amulsar Gold Project, a 3% Net Smelter Royalty (NSR). However, at any time prior to the date that is 20 days following commencement of commercial production, the Corporation 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. Furthermore, the Corporation 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 payment(s) do not constitute an "obligation or a constructive obligation", as the triggering event of commercial production has not yet occurred and is not determinable at this time. Therefore, these potential payments are not accrued as liabilities in the Consolidated Statement of Financial Condition.

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

RISK FACTORS

The Corporation 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 our securities, cash flows, financial condition, results of operations, existing business activities, plans and prospects.

This section describes risk factors identified as being potentially significant to the Corporation and its material property, the Amulsar Gold Project. Additional risk factors may be included in technical reports or other documents previously disclosed by the Corporation. In addition, other risks and uncertainties not discussed to date or not known to management could have material and adverse effects on the valuation of our securities, existing business activities, financial condition, results operations, plans and prospects.

There are certain factors beyond the Corporation's control which may jeopardize the proposed Financing Transactions

The funding sequence of the Financing Transactions, as agreed between the parties, shall occur in each case subject to the applicable conditions precedent being satisfied. The Corporation's ability to satisfy these conditions precedents at all will depend on a number of factors beyond the Corporation's control and, accordingly, there can be no assurance that any such transaction will be completed.

Furthermore, the Corporation has not yet entered into a mandate letter, or obtained a binding commitment, with respect to the $70 million equipment facility (the "Equipment Facility"), which is a condition precedent to funding under both the Stream Agreement and the Term Facility and a condition precedent to the closing of the Private Placements. The Corporation's ability to complete the Equipment Facility on acceptable terms or at all will depend on a number of factors beyond the Corporation's control, including general conditions affecting the debt markets from time to time and, accordingly, there can be no assurance that such transaction will be completed.

In addition, the Corporation has not yet obtained shareholder approval with respect to the Private Placements, which is a condition precedent to funding under both the Stream Agreement and the Term Facility and an escrow release condition with respect to the Offering. The Corporation's ability to obtain shareholder approval will depend on a number of factors beyond the Corporation's control and, accordingly, there can be no assurance that shareholder approval will be obtained.

The payment of the Second Deposit under the Stream and the funding of the Debt Financing Facilities are conditional and the Escrowed Funds may be released and holders of Subscription Receipts may receive the number of Ordinary Shares to which they are entitled even if the Investors do not pay all or part of the Second Deposit under the Stream or fund certain of the Debt Financing Facilities

The obligations of the Investors to pay the second deposit of $35 million (the "Second Deposit") under the Stream Agreement and to provide funding under their respective Debt Financing Facilities are subject to certain conditions precedent being satisfied. Although the Corporation has entered into the Financing Transactions with the Investors, there is no guarantee that all of the conditions to the payment of all or part of the Second Deposit under the Stream Agreement and of the funding of the Debt Financing Facilities will be satisfied. Further, there is no certainty that the Corporation will receive the Second Deposit pursuant to the Stream Agreement or that it will be able to meet its designated gold percentage and designated silver percentage delivery obligations thereunder. The conversion of the Subscription Receipts into Ordinary Shares and Warrants is not conditional upon the payment of the Second Deposit or the funding of the Debt Financing Facilities. In addition, the Stream Agreement and the Debt Financing Facilities will contain a number of covenants and conditions, which if not satisfied by the Corporation could result in the Corporation being required to return non-offset portions of the Deposit to the Investors or in the Debt Financing Facilities, to the extent then not fully drawn by the Corporation no longer being available (at all, or until such breach is cured).

In those circumstances, the Corporation will not have access to the aggregate proceeds from these financings but would only have access to the net proceeds from the Offering, the Private Placements and any offset portions of the Deposit, in which case it would not have sufficient financing to meet the anticipated development expenditures required to advance the Amulsar Gold Project to the commencement of commercial production as described herein. Such a lack of financing could result in the delay or indefinite postponement of further exploration and development of the Amulsar Gold Project, which in turn could materially and adversely affect the financial and operating results of the Corporation and the market price of the Corporation's securities and, ultimately, could result in the loss of its properties.

We will have a substantial amount of indebtedness which may adversely affect our cash flow and our ability to operate our business

After giving effect to the Financing Transactions, we will have a significant amount of debt. Therefore, the Corporation will need to refinance or reimburse amounts outstanding under the Corporation's consolidated indebtedness. There can be no assurance that any indebtedness of the Corporation will be refinanced or that additional financing on commercially reasonable terms will be obtained, if at all.

The Corporation's degree of leverage, particularly once a significant portion of the Debt Financing Facilities are drawn, could have adverse consequences for the Corporation, including: limiting the Corporation's ability to obtain additional financing for working capital, capital expenditures, exploration and development, debt service requirements, acquisitions and general corporate or other purposes; restricting the Corporation's flexibility and discretion to operate its business following the Financing Transactions; having to dedicate a portion of the Corporation's cash flows from future mining operations, if any, to the payment of interest on its indebtedness and not having such cash flows available for other purposes; exposing the Corporation to increased interest expense on borrowings at variable rates; limiting the Corporation's ability to adjust to changing market conditions; placing the Corporation at a competitive disadvantage compared to its competitors that have less debt or greater financial resources; making the Corporation vulnerable in a downturn in general economic conditions; and making the Corporation unable to make expenditures that are important to its growth and strategies.

The ability of the Corporation to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including the financial performance of the Corporation, debt service obligations, the realization of financing activities, the identification of commercially recoverable quantities of ore or the profitable mining or processing of ore reserves and working capital and future capital expenditure requirements. There can be no assurance that the Corporation will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

Also, the ability of the Corporation to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. In addition, the restrictive covenants contained in the Credit Agreement will limit our operating flexibility and could prevent us from taking advantage of business opportunities.

Our failure to comply with these covenants may result in an event of default. If such event of default is not cured or waived, we may suffer adverse effects on our operations, business or financial condition, including termination of the Debt Financing Facilities and acceleration of our debt. If such indebtedness were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay such indebtedness in full.

The Stream Agreement and Credit Agreement contain restrictive covenants that will limit our ability to operate our business

The restrictive covenants contained in the Stream Agreement and Credit Agreement could have adverse consequences for the Corporation, including: limiting the Corporation's ability to obtain additional financing for working capital, capital expenditures, exploration and development, debt service requirements, acquisitions and general corporate or other purposes; restricting the Corporation's flexibility and discretion to operate its business following the Financing Transactions; limiting the Corporation's ability to adjust to changing market conditions; making the Corporation vulnerable in a downturn in general economic conditions; and making the Corporation unable to make expenditures that are important to its growth and strategies. The restrictive covenants contained in the Stream Agreement and Credit Agreement will limit our operating flexibility and could prevent us from taking advantage of business opportunities.

Our failure to comply with these covenants may result in an event of default. If such event of default is not cured or waived, we may suffer adverse effects on our operations, business or financial condition, including the Corporation being required to return non-offset portions of the Deposit to the Investors. In such a case, there can be no assurance that the assets of the Corporation would be sufficient to repay any non-offset portions of the Deposit in full to the Investors.

The completion of some of the Financing Transactions may be delayed as a result of the time required to obtain necessary Shareholder Approval and regulatory approvals and the satisfaction of other conditions to closing or funding which may have adverse consequences on the Corporation's ability to complete the Financing Transactions and on its business

The closing of the Offering will occur before the effectiveness, availability or funding of the other Financing Transactions, and the effectiveness, availability or funding of each of the Financing Transactions as well as the satisfaction of the escrow release conditions, are subject to the receipt of, when required, regulatory approvals, and the satisfaction of each Financing Transaction's other required conditions precedent. There is no certainty, nor can the Corporation provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining regulatory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on the Corporation's ability to complete the Financing Transactions or on the satisfaction of the escrow release conditions and on the Corporation's business, financial condition or results of operations. The Corporation intends to complete each of the Financing Transactions once each Financing Transaction's required conditions precedent, if any, have been met or waived. If the funding of each of the Financing Transactions does not take place as contemplated or the escrow release conditions are not satisfied or waived before the occurrence of a termination event, the Corporation could suffer adverse consequences, including the loss of investor confidence, and the Corporation would not have sufficient financing to meet the anticipated development expenditures required to advance the Amulsar Gold Project to the commencement of commercial production as described herein. Such a lack of financing could result in the delay or indefinite postponement of further exploration and development of the Amulsar Gold Project, which in turn would materially and adversely affect the financial and operating results of the Corporation and the market price of the Corporation's securities and, ultimately, result in the loss of its properties.

We will incur significant transaction and related costs in connection with the Financing Transactions

We expect to incur a number of costs associated with completing the Financing Transactions. The substantial majority of these costs will be non-recurring expenses resulting from the Financing Transactions and will consist of transaction costs related to the Financing Transactions. Additional unanticipated costs may be incurred. Furthermore, the Corporation expects to incur additional expenses in respect of amendments, waivers, stand-by fees and other costs charged in connection with the Financing Transactions from time to time.

The failure of the Investors to pay their respective pro rata share of the Second Deposit under the Stream or to provide funds pursuant to certain of the Debt Financing Facilities may have a material adverse effect on the Corporation's business and results of operations

In the event that any one or more of the Investors defaults in its obligation to pay or fund, as applicable, its respective pro rata share of the Second Deposit under the Stream Agreement or of funds pursuant to certain of the Debt Financing Facilities, it may be necessary to renegotiate and restructure financing for the Amulsar Gold Project and delay certain development expenditures required to advance the Amulsar Gold Project. Any such failure by an Investor to contribute its pro rata share of a cash call could result in significant adverse effects on the Corporation, including increases in expenses, less advantageous financing terms, the delay and, potentially, indefinite postponement of further exploration and development of the Amulsar Gold Project, which in turn would materially and adversely affect the financial and operating results of the Corporation and the market price of the Corporation's securities and, ultimately, could result in the loss of its properties, including the Amulsar Gold Project.

The Corporation and Geoteam will be required to provide guarantees and security under the Stream Agreement and the Term Facility

The Term Facility and Stream Agreement will be guaranteed and secured by certain guarantees and security to be granted by the Corporation and Geoteam.

Lydian has a 100% interest in the Amulsar Gold Project through its wholly-owned subsidiary, Geoteam. The respective terms of the Stream Agreement and of the Term Facility will include various covenants that must be satisfied by Geoteam. There can be no assurance that such covenants will be satisfied, or that Geoteam will be able to meet its designated gold percentage and designated silver percentage delivery obligations under the Stream Agreement. Any default under the Stream Agreement or the Term Facility, including any covenants thereunder, could result in the loss of the Corporation's entire interest in the Amulsar Gold Project.

Variations in Interest Rates

The Term Facility will bear interest at LIBOR plus 650 basis points. Interest will be paid in arrears at the end of each quarter. Variations in interest rates could result in significant changes in the amount required to be applied to debt service and would affect the financial results of operations of the Corporation. If Geoteam does not earn sufficient income from the Amulsar Gold Project to meet its debt service obligations under the Term Facility, the Purchasers, the Lenders and the counterparties to permitted hedging agreements, could foreclose on the Corporation's indirect ownership interest in the Amulsar Gold Project. Such risks could potentially be mitigated to the extent Geoteam enters into permitted hedging agreements as contemplated by the Financing Transactions.

Foreign exchange risk

Some of the Financing Transactions are required to be paid to the Corporation or funded in U.S. dollars, while funds raised in the Offering, which will constitute a portion of the total funds raised as part of the Financing Transactions, are denominated in Canadian dollars. In addition, the majority of the Corporation's expenses at the present time are denominated in U.S. dollars, including the anticipated development expenditures required to advance the Amulsar Gold Project to the commencement of commercial production as described herein.

Exposures also exist to the Armenian dram, British pound, Euro and other currencies. Each of these currencies fluctuate in value and are subject to their own jurisdictions' political and economic conditions. This can have a material effect on our future cash flows, results of operations and financial condition and lead to higher than anticipated development, construction and other costs. The Corporation does not currently use any derivative products to mitigate its exposure to changes in foreign currency exchange rates. Such risks could potentially be mitigated to the extent the Corporation enters into permitted hedging agreements as contemplated by the Financing Transactions.

Structural Subordination of the Ordinary Shares

In the event of a bankruptcy, liquidation or reorganization of the Corporation, holders of certain of its indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Corporation before any assets are made available for distribution to the shareholders. The Ordinary Shares will be effectively subordinated to most of the other indebtedness and liabilities of the Corporation. The

Corporation will be limited in its ability to incur additional indebtedness pursuant to the terms of the Stream Agreement and the Credit Agreement.

Gold Prices

The Corporation's ability to finance exploration and development activities and ultimately realize positive cash flows from operations is and will be significantly affected by the market price of gold. Gold prices are subject to significant fluctuation resulting from a number of factors beyond the control of the Corporation. Availability of additional financing is affected by current and forecasted gold prices. Reserve calculations and mine plans using lower gold prices may result in significant reductions in mineral reserve estimates and revisions to mine plans. Continuing or further gold price declines could delay or indefinitely postpone exploration and development plans and result in material write-downs of the Corporation's investment. This may cause the Corporation to sell its mineral interests on unfavorable terms or ultimately result in loss of its properties.

Negative Cash Flows

The Corporation is a development stage entity that has not yet commenced commercial production at any of its properties. As such, it has not generated positive cash flows to date and has no reasonable prospects of doing so unless successful commercial production can be achieved at the Amulsar Gold Project. The Corporation expects to continue to incur negative investing and operating cash flows until such time as it enters into commercial production. This will require the Corporation to deploy its working capital to fund such negative cash flow and to seek additional sources of financing. There is no assurance that any such financing sources will be available or sufficient to meet the Corporations requirements.

Financing Corporate Activities

The Corporation's activities will require substantial additional financing from external sources. Failure to obtain sufficient financing could delay or indefinitely postpone further exploration, development and production on any and all of the Corporation's mineral properties. As a result, the Corporation is dependent on management's ability to obtain financing through debt, royalties, streams, equity issuances, joint ventures or other means. Such sources may require security interests in material assets, corporate guarantees, payment priorities and other conditions that may be prejudicial to holders of the Corporation's Ordinary Shares. Contractual terms may include conditions precedent that may delay or prevent the Corporation from accessing funds when needed. Restrictive covenants may impose significant operating and financial restrictions that may limit the Corporation's flexibility, including its ability to engage in actions that may be in the Corporation's long-term best interest. The cost of capital associated with third-party financing sources or issuances of addition equity may result in substantial dilution to existing holders of Ordinary Shares. There is no assurance that management will be successful in obtaining required financings at all, when needed, or on acceptable terms.

Dilution of Existing Shareholders

The Corporation will require substantial additional working capital to achieve its objectives. All or a portion of this may be raised through issuances of equity or equity-linked securities. Issuing more equity securities of any nature may substantially dilute the interests of existing shareholders. Issuing substantial amounts of additional securities, or making them available for sale, may adversely affect the market price of the Corporation’s Ordinary Shares. Other factors also impact the market value of Ordinary Shares. There is no assurance that future equity issuances will be at times when the market price is not adversely affected by any of these conditions. This could hamper the Corporation’s ability to raise additional capital and result in greater dilution to shareholders.

Dilution of existing shareholders may result from equity-linked incentive programs. Presently, the Corporation maintains a stock option plan for its directors, officers and employees. Other equity-linked incentive programs may also be utilized in the future. Stock options are typically exercised when the market price of Ordinary Shares exceeds the exercise price of such options. The effect of this is dilutive to existing shareholders at the time of exercise. Other forms of incentive programs that may be utilized in the future will also be dilutive to existing shareholders.

Hedging

The Corporation has no current hedging or other derivative transactions in place. However, management may elect to use such instruments in the future or be required to enter into such transactions as a condition of certain financing transactions. Derivative instruments may be used to manage changes in gold prices, silver prices, interest rates, foreign currency exchange rates, energy costs and the costs other consumable commodities. Common inherent risks associated with derivative transactions include (a) credit risk resulting from a counterparty failing to meet its obligation, (b) market risk associated with changes in market factors that affect fair value of the derivative instrument, (c) basic risk resulting from ineffective hedging activities and (d) legal risk associated with an action that invalidates performance by one or both parties. There is no assurance that any hedging or other derivative program will be successful. Furthermore, such programs may prevent the Corporation from benefiting fully from favorable price and cost changes.

Financing Commitments

The Corporation currently has no off-take or similar agreements in place. However, certain financing arrangements that could be utilized in the future may require the Corporation to enter into this type of arrangement. An off-take or similar agreement typically results in reduced payments to the Corporation for outturned precious metals. Such agreements may extend beyond repayment of the associated source of financing, including up to the entire life of mine. The result of an off-take agreement is to increase the cost of financing, which may include a permanent adverse effect on the Corporation’s realized sales price for gold and silver.

Conflicts of Interest

Certain directors of the Corporation may also be shareholders, directors, officers or affiliates of other companies that engage in mineral resource activities. This may give rise to conflicts of interest from time to time. Directors have a duty and obligation to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. If a conflict of interest arises, a director is to disclose the interest and abstain from voting on such matter in accordance with the procedures set forth in the Canadian Business Corporations Act and other applicable laws.

Global Financial Markets

Global financial markets have been volatile and unstable at times since the global financial crisis, which started in 2007. Bank failures, the risk of sovereign defaults, other economic conditions and intervention measures have caused significant uncertainties in the markets. The resulting disruptions in credit and capital markets have negatively impacted the availability and terms of credit and capital. High levels of volatility and market turmoil could also adversely impact commodity prices, exchange rates and interest rates. If market conditions continue or worsen, it could have a material adverse effect on the Company's liquidity, ability to raise capital and cost of capital.

Single Property Focus

The Corporation is currently focusing substantially all of its financial resources and efforts on developing the Amulsar Gold Project. As such, any adverse conditions or events affecting the Amulsar Gold Project will have a material adverse effect upon the Corporation.

No History of Mineral Production

The Corporation has never held any interest in a mineral producing property and, as an entity, has no experience with constructing and operating a producing mine. Nonetheless, the Corporation has committed and continues to commit substantially all of its financial resources to developing the Amulsar Gold Project. While certain directors, members of management and employees have prior experience with construction and operations, there can be no assurance that such experience will allow the Corporation to successfully develop the Amulsar Gold Project into a profitable mining operations that generates value to its stakeholders.

Infrastructure

Exploration, development, mining and processing activities depend on access to adequate infrastructure. While certain infrastructure exists within the general region of the Amulsar Gold Project, there is no assurance that the Corporation will be permitted to utilize such resources or that they will be available to the Corporation on commercially reasonable terms. Unusual or infrequent weather phenomena, deterioration over time, sabotage, government or other interference in the maintenance or provision of such infrastructure could also adversely affect the Corporation.

Time and Cost Estimates

Time and cost estimates to develop, operate and close the Amulsar Gold Project were prepared in connection with the 2014 Technical Report. Other estimates of time and costs are made from time to time for exploration and other business activities. Actual time and costs may vary significantly from estimates for a variety of reasons, both within and beyond the control of the Corporation. Failure to achieve time estimates and significant increases in costs may adversely affect the Corporation’s ability to continue exploration, develop the Amulsar Gold Project and ultimately generate sufficient cash flows. There is no assurance that the Corporation’s estimates of time and costs will be achievable.

Consumables Availability and Costs

The Corporation’s activities are affected, and its planned development activities and operations, including the profitability thereof, will continue to be affected by the availability and costs of consumables used in connection with the Corporation’s activities. Of significance, this may include concrete, steel, copper, diesel, processing reagents and electricity. Other inputs such as labour, consultant fees and equipment components are also subject to availability and cost volatility. If inputs are unavailable at reasonable costs, this may delay or indefinitely postpone planned activities. Furthermore, many of the consumables used in exploration, development and operating activities are subject to significant volatility. There is no assurance that consumables will be available at all or at reasonable costs.

Mineral Resources Uncertainties

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to mineral resources, there can be no assurances that mineral resources will be upgraded to mineral reserves as a result of continued exploration or during the course of operations.

Estimated Mineral Resources and Reserves Uncertainties

There can be no assurances that any of the mineral resources or reserves stated in this MD&A or published technical reports of the Corporation will be realized. Until a deposit is actually mined and processed, the quantity of mineral resources or reserves, grades, recoveries and costs must be considered as estimates only. In addition, the quantity of mineral resources or reserves may vary depending on, among other things, metal prices. Any material change in the quantity of mineral resources or reserves, grades, ore dilution occurring during mining operations, stripping ratios, recoveries, costs or other factors may affect the economic viability of stated mineral resources or reserves. In addition, there is no assurance that gold recoveries or other metal recoveries in limited, small scale laboratory tests will be duplicated by larger scale tests or during production. Fluctuations in gold and silver prices, results of future drilling, metallurgical testing, actual mining and operating results, and other events subsequent to the date of stated mineral resources and reserves estimates may require revision of such estimates. Any material reductions in estimates of mineral resources or reserves could have a material adverse effect on the Corporation.

Replacing Mineral Reserves

Mines have limited lives based on proven and probable mineral reserves and the mining rate. Once a mine initiates production, the Corporation will be required to continually replace mineral reserves to sustain production continuity. This may be at an existing mine or a new mine. The Corporation's ability to maintain or increase its annual rate of gold production in the future will depend on its ability to realize existing mineral reserves, convert mineral resources into reserves, make additional discoveries or acquire additional mineral reserves. Any of these may require significant time and financial resources to accomplish and there is no assurance the Corporation will be successful.

Mine Closure

Mine closure involves long-term management of permanent engineered structures and potential acid rock drainage, achievement of environmental closure standards, orderly termination of employees and contractors and ultimately relinquishment of the site. The successful completion of these and other associated tasks is dependent on sufficient financial resources and the ability to successfully implement negotiated agreements with relevant governmental authorities, community, employees and other stakeholders. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved. The Corporation has no experience in managing mine closures and there is no assurance that any future mine closures will be successfully managed to the satisfaction of all stakeholders.

Acquisition of Surface Rights

The Corporation needs to acquire additional surface rights. This process is subject to negotiations with third parties, and only if reasonable commercial terms cannot be attained will the Corporation be able to proceed with expropriation proceedings under Armenian legislation. Associated costs and timing to complete these acquisitions are uncertain.

Title to Properties

Although the Corporation has obtained title opinions with respect to certain of its properties and has taken reasonable measures to ensure proper title to its properties, there is no assurance that title to any of its properties will not be challenged or disputed. Properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. As such, third parties may ultimately demonstrate valid claims against portions or all of the Corporation's interests. Furthermore, new laws and regulations, or amendments to laws and regulations relating to mineral tenure and land title and usage may affect the Corporation's rights to its properties. There is no assurance that the Corporation will be able to retain, explore, develop and operate its properties as planned.

Mining Right

The Mining Right, as amended in November, 2014 contains a number of conditions including a two year construction period for the Amulsar Gold Project. If construction is in-process but not completed by such deadline, the established practice in Armenia, based on procedural experience, has been an extension of time. However, there is no assurance that any such extension, will be granted to the Corporation. Failure to comply with established timing conditions or other conditions of the Mining Right may have a material adverse effect on the Corporation.

Maintenance of Rights and Interests

The Corporation holds and may acquire certain rights and interests that require it to perform activities or provide compensation to third parties. If the Corporation fails to meet its commitments fully or in a timely manner, the Corporation may lose some or all of its associated rights and interests.

Key Personnel and Skilled Labor

The Corporation’s business is dependent on attracting and retaining a number of key personnel. This includes directors, officers, owner's team members and Armenian management. We do not have key man life insurance. Employment contracts are in place with each officer of the Corporation. However, there is no assurance that these officers or others will be retained or additional qualified personnel can be attracted to the Corporation.

Skilled labor will be needed to successfully develop and operate the Amulsar Gold Project. Sufficient skilled labor may not be available in the immediate region. This will require the Corporation to implement more extensive training programs than anticipated and seek additional personnel from other Armenian and possibly international labor pools. The impact on timing and costs to source an appropriate skilled labor force may be significantly different than estimated. There is no assurance that sufficient skilled labor can be attracted or retained.

Workforce Relations

We depend on our workforce to carry out the Corporation’s plans to explore, develop and operate mineral properties. Additional resources will be required as the Corporation develops and ultimately operates the Amulsar Gold Project. Programs will be needed for recruitment, training and employee relations to achieve productivity targets and minimize work stoppages. In addition, workforce relations may be affected by changes in relevant labour and employment legislation. Changes in such legislation or a prolonged labour disruption could adversely affect planned business activities. Furthermore, the Corporation may hire contractors and subcontractors from time to time. These parties could experience labour disputes or become insolvent, and this could also have an adverse effect the Corporations ability to execute its plans.

Environment

All phases of the Corporation's operations are subject to environmental standards and regulations in the jurisdictions in which it operates. These standards and regulations address, among other things, endangered and protected species, emissions, noise, air and water quality standards, land use and reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid, liquid and hazardous waste.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures. There is no assurance current environmental regulations and any future changes will not adversely affect the Corporation's operations.

Exploration, development and mining operations involve the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Corporation's own properties or other locations for which it may be responsible, may subject the Corporation to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. Furthermore, environmental hazards may exist on the properties in which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. The occurrence of any of these adverse events could have a material adverse effect on the Corporation's future growth, results of operations and financial position.

Community and Social

The Corporation's relationship with the communities where it operates is critical to ensuring the future success of project development and future operations. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. There is no assurance that the Corporation will be able to appropriately manage community relations in a manner that will allow the Corporation to proceed with its plans to develop and operate its properties.

Certain non-governmental organizations, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices. Actions by such organizations could adversely affect our reputation and financial condition and may impact our relationship with the communities in which we operate. These actions can relate not only to current activities but also historic mining activities by prior owners and could have a material, adverse effect on the Corporation. They may also file complaints with regulators and others. Such complaints, regardless of whether they have any substance or basis in fact or law, may have the effect of undermining the confidence of the public or a regulator and may adversely affect the Corporation.

Health and Safety

All phases of the Corporation’s operations are subject to various health and safety laws and regulations that impose various duties on operations relating to, among other things, worker safety and surrounding communities. These laws and regulations also grant the authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance of such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, or have other adverse effects on the Corporation and its operations.

Insurance and Uninsured Risks

The business of the Corporation is subject to a number of risks and hazards. Significant losses or liabilities may arise from perils that affect, among others: stakeholders, the environment, property interests, physical assets, timing or use of assets, individuals, and the rights and interests of others. Where insurance is available and practical, a reasonable amount of insurance is maintained.

For certain risks, insurance may not be available at all or is prohibitively expensive. For example, insurance against risks such as loss of title to mineral property, environmental pollution, or other hazards as a result of exploration, development and production activities is often not available to companies in the mining industry on acceptable terms. For other risks, the selected level of coverage may be inadequate to cover the full extent of possible losses or liabilities. Furthermore, insurance may require the Corporation to meet certain conditions for coverage to apply, and there are commonly limitations and exclusions. These and other circumstances may result in all or portions of a loss or liability to be uninsured. There is no assurance that insurance acquired by the Corporation will be adequate to cover any losses or liabilities, or that it will continue to be available at terms we believe are economically acceptable.

Litigation Risks

Normal business activities and dealings with regulatory bodies expose the Corporation to potential legal claims and assessments from time to time. These claims may be deemed to be with or without merit. Defense and settlement costs can be substantial, even for claims that are without merit. There are no assurances that any legal or regulatory proceeding can be avoided and that any that arise will be resolved in a manner that does not result in material expenditures by the Corporation.

Competition

The international mining industry is highly competitive. The Corporation encounters competition from others in its efforts to acquire and retain properties, hire experienced personnel, engage qualified service providers, and purchase equipment and consumables on reasonable economic terms. Competition within Armenia exists from numerous Armenian and international entities, both mining and non-mining in nature. Many competitors possess greater financial resources, capabilities and knowledge of local operating environments than the Corporation. This may have a material adverse effect on the timing, costs and ability of the Corporation to successfully achieve its objectives.

Foreign Operations

The majority of the Corporation's operations are carried out in Armenia and, as such, the Corporation is exposed to various levels of risks and uncertainties. These risks and uncertainties include, but are not limited to, to potential for corruption; crime; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable regulatory and judiciary process; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Similar risks and uncertainties exist in numerous other countries. There is no assurance that the Corporation will be able to successfully manage these and other risks associated with foreign operations.

Laws and Regulations

The Corporation's activities are subject to extensive existing laws and regulations. Interpretation of these laws and regulations is complex and may change over time. New laws and regulations may also be enacted that cannot be reasonably predicted. Failure to comply with laws and regulations at all times could curtail the Corporations planned activities, increase costs to achieve and maintain compliance, and result is assessments and other punitive actions. There is no assurance that the Corporation has been or will be in compliance as required, or that compliance will not be challenged. The cost of complying with current or future laws and regulations may result in material additional expenditures, delays or an inability to proceed with certain activities.

Governmental Approvals

Exploration, construction, operation and ultimate closure of the Corporation's properties are subject to timely receipt and maintenance of required governmental approvals, licenses and permits. In certain instances, financial surety may be required to receive necessary approvals and conduct certain activities. The availability and performance of key management personnel of the Corporation, engineering, environmental and construction contractors, mining contractors, suppliers and consultants may affect the ability to acquire and maintain such government approvals. Failure to comply with applicable provisions of governmental approvals and laws and regulations may delay or prohibit the Corporation from proceeding as planned, result in previously received governmental approvals to be revoked, and other punitive actions to be imposed. Furthermore, unforeseen changes to existing requirements or adverse interpretations by governmental authorities may have a material adverse effect on the Corporation's ability to successfully execute its objectives. There is no assurance that the Corporation will be successful in obtaining or maintaining necessary governmental approvals.

Taxation

The Corporation is affected by the tax regimes of numerous countries and jurisdictions. Revenues, expenditures, income, investments, repatriations, exports, imports, land use, intercompany transactions and all other business conditions can be taxed. Tax regulations, interpretations and enforcement policies may differ from the Corporation's applied methods and may change over time due to circumstances beyond the Corporation's control. The effect of such events could have material adverse effects on the Corporation's anticipated tax consequences. There is no assurance regarding the nature or rate of taxation, assessments and penalties that may be imposed.

Political Violence and Terrorism

The majority of the Corporation's operations are carried out in Armenia and involve global travel by many of its personnel. Regional conflicts have occurred in recent years and continue sporadically between Armenia and Azerbaijan, and in several more distant jurisdictions such as Russia and the Ukraine. Significant recent events of terrorism have also occurred globally in other locations where the Corporation's personnel may have reason to travel. The Corporation does not presently maintain insurance to cover acts of war, political violence and terrorism. There can be no assurance that any such events will not disrupt the Corporation's activities, causing additional costs, delays or an inability to proceed.

Corruption and Bribery

Our operations are governed by, and involve interactions with, many levels of government in numerous countries, most notably Armenia. In recent years, Armenia has developed an anti-corruption strategy and implementation action plan. These actions have resulted in improvements, yet Armenia continues to be perceived as having a moderately high level of corruption as measured by Transparency International. The Corruption Perceptions Index of Transparency International classifies countries by the level of perception of corruption in the public sector. A scale of 0 to 100 is used, where 0 means that a country is perceived as highly corrupt. For 2015, Armenia scored 35, ranking it 95 out of 168 countries. By comparison, Armenia scored 37 in 2014, ranking it 194 out of 175 countries.

We are required to comply with anti-corruption and anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act*, and the *UK Bribery Act* as well as similar laws in the countries in which we conduct our business. We also have contractual commitments to comply with the standards and requirements of IFC and the EBRD. There has been a general increase in both the severity of penalties and frequency of enforcement under applicable laws, resulting in greater punishment and scrutiny to companies and individuals convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also its third party agents. The Corporation has adopted a code of conduct and policies to mitigate such risks. However, such measures are not always effective in ensuring that the Corporation's personnel or third party agents will comply strictly with such laws. If we find ourselves subject to an enforcement action or are found to be in violation of such laws, this may result in significant penalties, fines and sanctions.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, receivables, short term investments, accounts payable and accrued liabilities, advances under the stream agreement and other financial instruments may be held from time to time. These financial instruments are exposed to numerous risks, including, among others, liquidity risk, currency risk, interest rate risk, counterparty risk and credit risk. Many of these risks are outside the Corporations control. There is no assurance that the Corporation will realize the carrying value of any of its financial instruments.

Disclosures and Internal Controls

The Corporation prepares its financial reports in accordance with international financial accounting standards ("IFRS"). Financial reports and other disclosures by the Corporation 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 may make certain interpretations and rely 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.

RELATED PARTY TRANSACTIONS

Related parties include the Corporation's board of directors, officers, close family members and enterprises controlled by these individuals as well as certain persons performing similar functions. Apart from those transactions detailed in the section, there were no other related party transactions.

Key management includes the Corporation's directors and officers. As an incentive mechanism to retain key management, compensation is structured to include salaries, benefits and share-based components. The aggregate compensation awarded to key management personnel for the periods indicated below was as follows:

	For the year ended December 31, 2015	2014
Salaries and other compensation	$ 1,225,409	$ 2,042,195
Share-based compensation	388,556	1,650,504
	$ 1,613,965	$ 3,692,699

The following table sets out the number of stock options awarded to key management of the Corporation under the Corporation's stock option plan during the year ended December 31, 2015.

Date of grant	Number of options	Exercise price	Expiry
April 14, 2015	1,450,000	CAD.55 ($0.44)	April 14, 2020

There were no other share based awards during the periods issued to key management.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical judgments in applying the Corporation's accounting policies

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is the policy on exploration and evaluation assets.

In particular, management is required to assess exploration and evaluation assets for impairment. Note 8 discloses the carrying values of such assets. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Group can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the availability of the Group to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Group will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization.

The functional currency of the subsidiaries through which the Corporation conducts its operations varies depending upon the primary economic environment in which they operate. Management exercises judgement in determining the appropriateness of its functional currency. The primary factors assessed in determining functional currency include the currency of revenues, expenditures and inter-company arrangements as well as the currency in which cash and cash equivalents are held.

The Group's financial liabilities include accrued liabilities and other payables, which are initially recognized at fair value and subsequently stated at amortized cost. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

Upon initial recognitions, the fair value of the advances under the stream agreement is determined by cash received. The Corporation has delivery obligations under the stream which are contingent upon satisfactory completion of conditions precedent. Until these conditions precedent are satisfied, the advance is treated as a financial liability, and is carried at amortized cost. Transaction costs directly attributable to the acquisition of the stream are netted against the liability and interest has been accrued at an effective interest rate.

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements have been prepared on the basis of all IFRS and interpretations effective as at December 31, 2015. The following standards were applied for periods beginning on or after January 1, 2015 and had no effect on the Company's financial performance:

IFRS 7 'Amendments on application of IFRS 9'

The IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which

- amends the effective date of IFRS 9 Financial Instruments to annual periods beginning on or January 1, 2015
- modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 Financial Instruments: Disclosures.

The amendments to IFRS 7 apply when an entity first applies the requirements of IFRS 9 and so apply to annual periods beginning on or after January 1, 2015 (or such other date as when an entity applies IFRS 9).

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 Corporation 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 Corporation's Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework to design the Corporation's DC&P and ICFR as of December 31, 2015. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the design and operating effectiveness of the Corporation's DC&P and ICFR as of December 31, 2015 and have concluded that these controls and procedures are adequately designed and operating to provide reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation, and to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management of the Corporation 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. In order to ensure that its disclosure is reported in accordance with applicable requirements, the

Corporation has implemented an internal procedure that requires all of its press releases to be reviewed by counsel. There have been no other significant changes in the Corporation's ICFR that occurred during the year ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the 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 Corporation's consolidated financial statements.

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

INFORMATION ON INCURRED COSTS

Set out below is summary of the capitalized exploration and evaluation and development expenditures, general and administrative expenses and other material costs incurred by the Corporation in connection with the exploration and development of the Corporation's mineral properties for the specified periods.

	For the year ended December 31,	
	2015	2014
Exploration and evaluation and development expenditures – capitalized	$9,555,503	$9,932,095
Employee benefit and expenses	3,094,030	5,580,790
General and administrative expenses	2,952,602	3,907,803
Depreciation and amortization	78,752	114,686
Total	$15,680,887	$19,535,374

COMMITMENTS

The Corporation and its subsidiaries leases office space for administrative and operational purposes. In 2011, the Corporation, through its subsidiary Geoteam, entered into long term rental contracts for lands under the planned rock allocation area, and other areas associated with planned mine development. Due to a change in the project design, the rented areas were extended in 2012, 2013 and 2014. Though these operating leases are cancelable, rental obligations are listed below:

	As of December 31, 2015	2014
Up to one year	$ 762,589	$ 1,131,572
More than one year and not later than five years	2,677,473	4,147,206
More than five years	6,629,799	10,439,303
	$ 10,069,861	$ 15,718,081

In November 2014, Geoteam signed a mining agreement with the Ministry of Energy and Natural Resources of Armenia. In accordance with the agreement, Geoteam paid a deposit to Government of Armenia on amount of AMD279.7 million, or $589,000, as a guarantee for post mining environmental rehabilitation and AMD38.1 million, or $80,000, for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD158.5 million, or $334,000, over 10 years commencing in 2016, and the ongoing monitoring will be paid in equal installments of AMD24.0 million, or $51,000, over 9 years commencing in 2017. In addition, Geoteam is committed to invest annually AMD61.0 million, or $128,000, after mine closure for workforce social mitigation and AMD61.5 million, or $129,000, for adjacent communities' social-economic development.

PUBLIC SECURITIES FILINGS

Additional information about the Corporation, including its most recent Annual Information Form, is available on the Corporation's website at www.lydianinternational.co.uk, or on SEDAR at www.sedar.com.