LYDIAN INTERNATIONAL LIMITED
Management's Discussion and Analysis
of the Consolidated Financial Condition and Results of Operations
for the six months ended June 30, 2009
(All monetary figures are expressed in British Pound unless otherwise stated)

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 "Company") for the period ended June 30, 2009. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto. The consolidated financial statements have been prepared on the historical cost basis and presented in British Pounds. Additional Company information, including the Company's most recent Financial Statements and Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.lydianinternational.com.

This information is provided as at August 10, 2009.

OVERVIEW

The Company, formerly Dawson Creek Capital Corp., was incorporated under the *Business Corporations Act* (Alberta) on February 14, 2006 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. On December 12, 2007, the Company consolidated its outstanding share capital on the basis of two post-consolidation shares for each three post-consolidation shares, continued from the Province of Alberta to Jersey, Channel Islands, and changed its name to Lydian International Limited.
The Company's ordinary shares ("Ordinary Shares") began trading on the Toronto Stock Exchange ("TSX") on January 10, 2008 under the symbol "LYD".

The Company is a diversified Jersey based mineral exploration and development company operating in emerging exploration environments. The Company is currently focused on projects in Eastern Europe, exploring in the Balkan and Caucasus regions and developing a precious metal asset in Armenia and an advanced base metal asset in Kosovo.

The Company's two main projects are gold at Amulsar in Armenia and zinc, lead, silver and gold at Drazhnje in Kosovo. Lydian also has a pipeline of gold and base metal exploration projects in the Balkans and Caucasus regions. In the Caucasus the Company operates a 50/50 gold and copper exploration joint venture (the "Newmont Venture") with Newmont Overseas Exploration Limited ("Newmont"), a subsidiary of Newmont Mining Corporation (NSYE & ASX:NEMS, TSX:NMC). The Company's three largest shareholders are the International Finance Corporation (part of the World Bank Group), Newmont Mineral Holdings B.V. and the European Bank of Reconstruction and Development.

The Company is committed to creating shareholder value through its disciplined, but opportunistic business model. The Company has assembled a pipeline of mining projects at various stages of development. The Company currently has projects in: (1) the resource estimate stage; (2) the scoping and advanced exploration stage; and (3) the early exploration stage. Lydian intends to maximize the potential of and realize value through the exploration and development of its existing properties.

CAUTIONARY NOTE REGARDING FORWARD -LOOKING STATEMENTS

This MD&A contains "forward-looking statements" that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price and the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or that state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral resources; fluctuations in metal prices, as well as those risk factors discussed or referred to in this MD&A under the heading "Risk and Uncertainties" and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and Jersey. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. 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;
- the timing of the receipt of regulatory and governmental approvals for the Company's projects;
- the availability of financing for the Company's development of its properties on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- exploration timetables;
- market competition; and
- the accuracy of the Company's resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based.

The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by securities regulatory requirements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

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.

REVIEW OF ACTIVITIES

Highlights Q2 2009

- 14,000 metre drilling programme commenced to extend resource and endeavour to quantify the extent of mineralization at Amulsar
- Resource calculation and mini-scoping study commenced to define economic parameters at Drazhnje

Exploration activity and results

Amulsar: Armenia

The Amulsar license areas, discovered by Lydian in 2006, cover a region of high-sulphidation, epithermal-type gold mineralisation located in central Armenia. The Amulsar project forms part of the Newmont Joint Venture.

A preliminary CIM-compliant inferred resource of one million oxide ounces at 1g/t gold has now been reported from the Tigranes to Artavasdes prospect areas comprising just 20% of the surface area currently known to carry gold mineralisation at Amulsar. The resource has not been closed off and potential exists to define additional resource extensions of the known deposit in all directions. The Company's goal for 2009 is to drill-for-size and extend the current limits to reveal the true potential of the system.

The Amulsar exploration licences are held 100% by Geoteam JSC ("Geoteam"), an Armenian registered closed joint stock company. The outstanding shares of Geoteam are held 95% by Lydian Resources Armenia Ltd. (a 100% owned indirect subsidiary of the Company) and 5% by a local director.

In 2007, Lydian advanced the Amulsar project to scout drilling stage by conducting mapping, soil sampling, trenching and rock-chip sampling. The Company identified a 3.5 km long zone of anomalous gold mineralization following a northwesterly oriented high ridge top. More detailed work identified three discrete prospect areas located along and parallel to this northwesterly ridge. These prospect areas are known from north to south as Erato, Tigranes and Artavasdes. Five scout diamond drill holes totaling 591m were drilled in the late summer of 2007 and represented the very first subsurface test of the gold potential at Amulsar. Four of these holes (Holes DDA-001 through 004) tested the Tigranes zone while one hole (DDA-005) was a step out to test the Erato zone located some 2km to the northwest. Drilling intersected oxidized mineralization to down-hole depths of approximately 150m. The Company did not encounter sulphide mineralization in any of these drill holes. In light of the results (which included DDA-004; 53m at 2.6g/t gold), the Company determined to carry out further drill testing and consequently a 13,000m drill program was completed for the field season 2008.

Drill results returned for the year 2008 were consistent and highly encouraging. Complete drill results are available on the Company's website www.lydianinternational.co.uk. Some drill holes intersected locally higher-grade intervals at greater than 3g/t gold and containing significant amounts of silver. To-date, drilling has defined a 1000m long and approximately 400m wide zone of gold mineralization at the Tigranes-Artavasdes area and the system remains open in all directions.

Step-out drilling and further surface sampling on targets to the north and south has been conducted and results have been highly encouraging, suggesting that an area of approximately $6km^2$ carries anomalous gold mineralization.

During 2008 a gold recovery test program was completed by Lakefield Laboratories on half drill-core from drill hole DDA-004. The entire drill hole assayed 1.07g/t and returned recoveries of 94% to 97% in heap leach simulation tests. These results are in the top percentile of gold deposit recoveries.

On March 18th, 2009, the Company released a National Instrument 43-101 compliant mineral resource estimate for the Amulsar project. The resource is in inferred category, was estimated from data gathered during the 2008 drilling program and totals one million ounces at 1g/t (using a 0.4 g/t cut off). The resource estimate was conducted by Galen White, as the "qualified person" at CSA Global Pty Ltd. Details of this resource can be viewed on SEDAR.

The Company has commenced the 2009 drill program, which is progressing well with an average of 150m (reverse circulation) drilled a day. Samples are being split on 2m intervals and have been dispatched to ALS-Chemex Romania for analysis.

The Amulsar project is currently being explored as part of a joint venture with Newmont Overseas Exploration Limited, a wholly owned subsidiary of Newmont Mining Corporation (NYSE & ASX: NEM;

TSX: NMC). The joint venture is a 50%-50% contribution. Licenses are held under Lydian's 95% owned local entity but Newmont's 50% contribution allows it two options to increase its interest should any project indicate Newmont size potential. The first option allows Newmont to earn a further 20% interest by funding the project through to the feasibility stage and the second option allows Newmont to earn a further 10% interest by funding the project through to commercial production.

Breaking news*:* The Company today announced the first results from a 14000m step-out drilling program recently initiated at its Amulsar gold discovery in Armenia: –

LYDIAN DRILLS 82 METERS at 2.5 g/t GOLD AND EXTENDS 1M OUNCE RESOURCE AT ITS AMULSAR DISCOVERY IN ARMENIA

Further mineralisation identified: 94 meters at 1.5g/t gold intersected in drilling 500 meters south of the current inferred resource

Drilling for this season is focused on stepping out and away from the current one million ounce inferred resource to test the true size-potential of the Amulsar gold mineralized system. Analyses from the first 17 reverse circulation drill holes have returned positive results with best intersections including:

- **RCA-079, 75m at 1.1 g/t gold**
- **RCA-080, 64m at 1.0 g/t gold**
- **RCA-082, 82m at 2.5 g/t gold**
- **RCA-084, 32m at 6.2 g/t gold**
    - **Including 18 meters at 10.2 g/t gold**
- **RCA-086, 58m at 1.2 g/t gold**
- **RCA-088, 80m at 1.1 g/t gold**
- **RCA-093, 94m at 1.5 g/t gold**

These first holes were aimed at testing NE-SW and NW-SE trending steeply-dipping fault-controlled mineralization as well as shallower easterly-dipping stratabound zones in the Artavasdes and Arshak areas of the project. In the case of steeply-dipping mineralization, deeper intersections along drill strings are interpreted to project up faults to mineralized structures on surface.

"Clearly this is a promising start, which supports management's confidence in expanding the current resource" said Dr. Tim Coughlin, Lydian's President and CEO. "Our first significant drill program last year was mostly grid drilling and resource definition to satisfy regulatory requirements for the 25-year mining license we have now been granted. This year we are step-out drilling, testing targets and theories to outline the true size potential of the system. The initial stage of step out programs such as this can sometimes be hit and miss, early theories may have very short shelf lives so obviously we are delighted with this first round of results".

For further details see the full announcement which is available on the company's website: www.lydianinternational.co.uk

Drazhnje: Kosovo

Drazhnje is a historic zinc, lead, silver exploration project with former Yugoslav resources (not JORC compliant) of 4.7Mt at 4.9% Zn, 2.4% Pb and 45ppm Ag in categories A + B + C1 and a further 2Mt at 5.8% Zn, 3.2% Pb and 45ppm Ag in category C2. The project was explored by surface drilling and two levels of underground exploration development but was abandoned in 1989 due to ethnic unrest and was never put into production.

Lydian completed a 2500m drilling programme at Drazhnje in 2007. The drilling program confirmed the presence of the former Yugoslav resource and identified extensions of base metal and gold mineralisation located along-strike and outside of this resource at the St George and Trpeza prospect areas.

Drilling during 2008 developed the mineralised extensions discovered during 2007 and uncovered further base-metal and gold mineralisation additional to the existing historical resource particularly in the St Barbara- St George areas. Drill testing during Q3 of 2008 has intersected some of the best grades yet from the St. Barbara area. Drill hole DDZ-048 was an infill hole (between previously reported holes DDZ-032 and DDZ-033) and intersected 13m at 21.0% Zn, 7.1% Pb, 25.3 g/t Ag and 0.5 g/t Au. Results from hole DDZ-54 located 120m to the northwest of DDZ-048 returned 9m at 5.81% Zn, 1.32% Pb, 6.5 g/t silver and 0.5 g/t gold.

Drill testing of the Trpeza prospect at the northern extent of the Drazhnje project area identified low-grade base-metal sulphides in a shallow northeast-dipping strata-bound body. Further geophysics and drilling is planned in this area in order to identify higher grade and possibly feeder-type structures.

Drilling was stopped at the Drazhnje project in August of 2008 and work was focused on accessing the underground exploration development for the purpose of channel sampling and then resource calculation.

Underground exploration development has now been suspended and NI-43101 compliant resource calculations and a mini-scoping study to ascertain economic potential are now underway.

Crepulje: Kosovo

Crepulje is a high-grade zinc-lead oxide project of approximately 5km strike-extent in northern Kosovo. During 2007, reconnaissance rock-chip and soil sampling was conducted and returned very high-grades for zinc.

Work to-date has included the cleaning and re-sampling of historic trenches and scout diamond drilling. Trench results were significantly higher and more consistent than historic sampling. The most encouraging result was from Trench 2, which assayed 32 metres at 25.89% zinc, and 3.86% lead along its entire length. Other highly significant results include: Trench 1; 25 metres at 14.74% zinc and 1.82% lead; Trench 3; 23 metres at 12.53% zinc and 1.10% lead; and Trench 6; 15 metres at 21.53% zinc and 1.53% lead (all using 1% zinc cut-off and maximum internal dilution of two metres).

Details of the scout-drilling programme are pending a full interpretation of the project geology and acquisition of state-flown geophysics over the area.

Muratdag: Turkey

As part of the Newmont Joint Venture, Lydian acquired a 50% interest in Newmont's Muratdag gold-nickel project in Western Turkey. The Muratdag project is extensive, comprising 23 individual exploration licence areas and totalling approximately 66.22 square kilometres.

Muratdag was discovered by Newmont during a regional BLEG survey in 2004. Since then, grid soil sampling and reconnaissance rock-chip sampling has identified two zones of gold and nickel mineralisation extending over a strike length of more than 2km with soil samples of greater than 1ppm Au and .6% Ni and rock-chip highs of 2ppm Au and .6% Ni. Work conducted during 2007 revealed that mineralisation is related to peridotitic bodies and is hosted in through-going faults and overlying coarse clastic sediments.

Lydian and Newmont have now executed a transfer agreement with Ariana Resources PLC in which both companies are entitled to a 1% net-smelter-royalty on production from any discovery made from within the license areas.

Outlook

Management continues to focus on developing the Amulsar discovery and on revealing the project's full potential. Regional exploration work aimed at securing new gold assets will continue in Armenia and generative work has commenced elsewhere in the Balkans region. In view of the current base-metal markets, efforts in Kosovo have been streamlined and work is focused entirely at Drazhnje and on converting Yugoslav resources to National Instrument 43-101 compliant resources. Shareholder outreach will be a major focus in an effort to increase and diversify exposure, increase investor awareness and improve liquidity.

Qualified Person

Dr Tim Coughlin, MAusIMM; is the Qualified Person overseeing Lydian's exploration programmes for purposes of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Dr. Coughlin has supervised the preparation of the technical information contained in this MD&A.

Lydian employees are instructed to follow standard operating and quality assurance procedures intended to ensure that all sampling techniques and sample results meet international reporting standards. All assay work for the released results was carried out by ALS Chemex analytical laboratory in Rosia Montana, Romania, in Perth Australia, or in Vancouver, BC. Please see Lydian's web site for more information.

FINANCIAL RESULTS OF OPERATIONS
SELECTED FINANCIAL INFORMATION

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). All monetary amount references in this document are to British Pounds unless otherwise indicated.

Statement of Operations

The following is a summary of selected information for the six month period ended June 30, 2009 and comparative financial information for the corresponding interim periods in the Company's previous financial years.

British Pounds	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	£	£	£	£
Interest income	682	36,249	3,671	76,084
Total expenses	502,734	240,499	966,830	771,770
Net income (deficit)	(502,052)	(204,250)	(963,159)	(695,686)
Loss per share (basic and diluted)	0.01	0.01	0.02	0.02

During the six month period ended June 30, 2009 and its corresponding period in 2008 the Company had no revenues. The Company's only income during these periods was bank interest. In the six and three month periods ended June 30, 2009 the Company recorded a loss of GBP 963,159 (2 pence per share) and GBP 502,052 (1 pence per share) respectively, compared to GBP 695,686 (2 pence per share) and GBP 204,250 (1 pence per share) during the corresponding periods in 2008.

Profit Tax Expense

There was no profit tax payable for the Group in the six month period ended June 30, 2009 and during the same period in 2008. As at June 30, 2009, the Company had taxation losses of £2,615,059 (December 31, 2008 £2.207,474) that had not been recognised as there is insufficient evidence of taxable profit in the near future.

Summary of Operating Cash Flows, Investing and Financing Activities

The following table summarises the Company's cash flow for the three and six month periods ended June 30, 2009 and comparative financial information for the corresponding interim periods in the Company's 2008 financial year.

British Pounds	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	£	£	£	£
Receipts from joint venture partner	-	173,303	112,325	302,616
Net cash provided (used) by operating activities	(634,971)	(79,490)	(1,144,597)	(1,056,872)
Net cash used by investing activities	(159,336)	(891,613)	(305,797)	(1,072,972)
Net cash provided (used) by financing activities	1,618,768	59,600	1,618,768	137,509

Summary of Balance sheet data

The following table summarises the Company's balance sheet data as at the dates indicated:

GBP	As at June 30, 2009	As at June 30, 2008
	£	£
Current assets	2,681,274	4,780,986
Property and equipment	431,238	246,115
Intangible assets	40,014	37,621
Exploration and evaluation assets	3,364,705	2,064,309
Total Assets	6,517,231	7,129,031
Current Liabilities	198,998	539,203
Shareholders` Funds	6,318,233	6,589,828

The expenditures incurred by the Company in the three and six month periods ended June 30, 2009 were comprised primarily of remuneration for its employees, contractors and directors, costs relating to the Company's offices in Kosovo and Armenia and exploration site overheads. Deferred exploration expenditures incurred during these periods were GBP 144,245 and GBP 291,920 respectively for the three and six month periods ended June 30, 2009 compared to deferred expenditures of GBP 904,048 and GBP 1,163,755 in the corresponding periods in 2008. These deferred exploration expenditures were related to exploration work on the Company's exploration projects as follows:

Deferred Exploration expenses by projects

The following table summarises the Company's deferred exploration expenses as at the dates indicated:

GBP	Cumulative as at June 30, 2009	Cumulative as at December 31, 2008
Kosovo		
• Draznja	2,018,106	1,715,099
• Rahovec	61,710	57,667

• Crepulja	78,520	71,582
Armenia		
• Amulsar	1,206,369	1,498,557
Total	3,364,705	3,342,905

During six month period to June 30, 2009 Armenian dram exchange rate to British Pounds declined more than in 30 percent and in result there was decrease of exploration assets reportable in GBP due to AMD/GBP currency conversion.

Outstanding share data

The Company has one class of issued equity shares, being Ordinary Shares.

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

	As at August 10, 2009	As at June 30, 2009	As at December 31, 2008
	Number	Number	Number
Ordinary shares	47,104,211	47,104,211	39,982,929
Rolling stock optionplan	500,000	500,000	550,000
Other,Warrants/Options	23,168,428	22,088,428	14,967,146

MANAGEMENT AND STAFFING

During six month period ended June 30, 2009, there were the following changes in management of the Company. On March 31, 2009, Mr. Jason Wilkinson, formerly Vice President of Exploration, resigned from his position with the Company in order to pursue other business interests. On May 1, 2009, Chris Irwin was elected as a director of the Company. As part of the strategic investment in the company by European Bank of Reconstruction and Development ("EBRD") described below, EBRD is entitled to nominate one director to the Company's board of directors for such period as EBRD retains shares in the Company representing 5% or more of the Company's capital. On May 22, 2009, Chris Irwin resigned as director of the Company and was replaced by Huw Williams, EBRD's nominee.

LIQUIDITY AND CAPITAL RESOURCES

Lydian had working capital of GBP 2,681,274 as at June 30, 2009, compared to GBP 4,780,986 on June 30, 2008. The Company had total assets of GBP 6,517,231 at June 30, 2009, compared to GBP 7,129,031 on June 30, 2008, which includes deferred exploration expenditures amounting to GBP 3,364,705 (GBP 2,064,309 on June 30, 2008). The Company's principal source of liquidity as at June 30, 2009 was cash amounting to GBP 1,954,388 compared to GBP 3,894,904 on June 30, 2008. Cash surplus to the Company's requirements was invested in bank money market deposits.

The Company's sole source of funds is presently equity finance. On May 22, 2009, the Company completed a non-brokered strategic investment of CAD $2,990,938 from the International Finance Corporation ("IFC"), a member of the World Bank Group, and EBRD. In exchange for the investment proceeds, the Company issued to IFC and EBRD an aggregate of: (i) 7,121,282 Ordinary Shares at a price of CAD $0.42 per Ordinary Share; (ii) 5,216,520 warrants exercisable at a price of CAD $0.59 for a period of 5 years; and (iii) 1,904,762 warrants exercisable at CAD $0.53 for a period of 3 years. The Company believes that it has sufficient funds to carry out its planned exploration activities until the end of 2009.

Lydian's liquidity is affected by a number of key factors and risks. Reference is made to the "Risks and Uncertainties" section of the MD&A for a discussion of these factors and their impact on the Company's liquidity.

The Company has made certain expenditure commitments to the licensing authorities for the Company's projects. Should these expenditure targets not be met, the applicable licences will not be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor on whether to renew such licences.

The above cost includes exploration costs directly attributable to the Company's projects and directly attributable overheads including the estimated contribution from Newmont, the Company's joint venture partner, in respect of the Newmont Joint Venture property at Amulsar in Armenia. It does not include costs relating to head office corporate activities or any new potential projects.

The Company has contractual obligations due within the next five years as follows:

Contractual Obligations

GBP	Total	Up to 1 year	1-3 years	4-5 years
Operating lease obligations	55,953	55,272	681	-
Purchase obligations	38,068	38,068	-	-
Total contractual obligations	94,021	93,340	681	-

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The net fair value of the financial assets and financial liabilities approximates their carrying value. The Company's exposure to changes in market interest rates, relates primarily to the Company's cash deposits. The Company 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 Company's maximum exposure to credit risk.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements, and management does not anticipate entering into any such arrangements in the near future.

RISKS AND UNCERTAINTIES

The following risks and uncertainties, among others, should be considered when evaluating the Company and its outlook.

Metal Prices

The Company is in exploration of gold, zinc, lead and silver metals resources and realisation of its discoveries and developments will depend on metals` international prices.

Foreign Exchange

The Company operates internationally and is therefore exposed to foreign exchange risks arising from foreign currency fluctuations. The Company raises finance in Canadian Dollars, accounts in British Pounds and incurs expenses in mainly five currencies – the Euro, the British Pound, the U.S. dollar, the Canadian dollar and the Armenia Dram. The Company's risk management policy is to hold cash in the Euro, British Pound, the U.S. dollar and the Canadian dollar, broadly in line with its currency expenditure forecasts. The Company does not currently hedge its foreign exchange exposure.

Counterparty Risk

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics other than to Newmont (see *Related Party Transactions* below). We do not anticipate a loss for non-performance by any counterparty with whom we have a commercial relationship.

Taxation Risk

The Armenia and Kosovo tax systems could impose substantial burdens on the Company. The Company is subject to a broad range of taxes imposed at federal, regional and local levels. Laws related to these taxes have been in force for a relatively short period relative to tax laws in more developed market economies and few precedents with regard to the interpretation of these laws have been established. No assurances can be made that any new tax laws introduced by the Governments of these countries will not result in the Company having to pay significantly higher taxes, which could have a materially adverse effect on the Company's business.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. 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. There is no assurance that future changes in environmental regulations, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses.

Exploration

Exploration is highly speculative in nature and exploration projects involve many risks that even a combination of careful evaluation, experience and knowledge may not eliminate. If a site with gold or other precious metal mineralization is discovered (and this may not happen), it may take several years from the initial phases of drilling until production is possible, if at all. Substantial expenditures are normally required to locate and establish mineral reserves and to construct mining and processing facilities. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Political

The majority of the Company's operations are carried out in Eastern Europe and Eurasia and, as such, the Company's operations are exposed to various levels of political risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; 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. Any changes in mining or investment policies or shifts in political attitude in Eastern Europe and Eurasia may adversely affect the Company's operations and financial condition. Failure to comply with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

Insurance

The Company's business is subject to a number of other risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with Company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Government Laws and Regulations

The activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. Although the Company currently carries out its operations in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. The Company's operations and development activities are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that the Company will be successful in obtaining or maintaining the necessary licences and permits to continue its exploration and development activities in the future.

Financing

The only source of future funds presently available to the Company for further exploration programs or, if such exploration programs are successful, for the development of economic ore bodies and commencement of commercial production thereon, is the sale of equity capital. It may also be necessary, in some circumstances for the Company to offer an interest in its properties to be earned by another party carrying out further exploration or development.

There is no assurance that funds will be available on acceptable terms in the future. Failure to obtain sufficient financing may result in delay or indefinite postponement of development on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Labour Relations

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees may have a material adverse impact on the Company's business, results of operations and financial condition.

Mineral Resources

The Company's mineral resources are estimates, and no assurance can be given that the estimated resources are accurate or that the indicated level of gold will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, if at all, and during that time the economic feasibility of exploiting a discovery may change. Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. You should not assume that all or any part of the Company's mineral resources constitute or will be converted into reserves.

Joint Venture Risk

The Company operates certain of its properties through joint ventures and is subject to the risks normally associated with the conduct of joint ventures. Certain of the properties in which the Company has an interest are operated through joint ventures with other mining companies and are subject to the risks normally associated with the conduct of joint ventures. Such risks include: inability to exert control over strategic decisions made in respect of such properties; disagreement with partners on how to develop and operate mines efficiently; inability of partners to meet their obligations to the joint venture or third parties; and litigation between partners regarding joint venture matters. Any failure of such other companies to meet their obligations to the Company or to third parties, or any disputes with respect to the parties' respective rights and obligations, could have a material adverse effect on the joint ventures or their respective properties, which could have a material adverse effect on the Company.

RELATED PARTY TRANSACTIONS

The Company operates the Newmont Joint Venture with Newmont, the holder of approximately 11% of the Company's issued and outstanding shares on an undiluted basis. The Newmont Joint Venture agreement relates to, among other things, the Amulsar exploration project in Armenia. The Newmont Joint Venture agreement currently requires that costs incurred on the project are to be shared equally between the Company and Newmont with the future option of a carried interest available to either party once the project goes to the feasibility or development stage. Newmont paid to the Company GBP 456,456 during the six month period ended June 30, 2009 for its share of the costs relating to a drilling contract and for JV manager fee compensation.

Pursuant to the private placement on May 22, 2009 described above, IFC, an insider of the Company acquired 3,311,758 Ordinary Shares at a price of CAD $0.42 per Ordinary Share and 3,311,758 warrants exercisable at a price of CAD $0.59 for a period of 5 years. At the time of the completion of the private placement, IFC held 8,461,757 Ordinary Shares, and 7,961,757 Ordinary Share purchase warrants representing approximately 18% on a non diluted basis and 24% on a fully diluted basis of the Ordinary Shares then outstanding.

The remuneration of directors and key management during the six months ended June 30, 2009 and June 30, 2008 is as follows. The directors and key management are the directors of the Company and the sole director and country manager of Geoteam CJSC. The director of Geoteam CJSC holds 5% of the shares in Geoteam CJSC.

	Six months ended June 30, 2009	Six months ended June 30, 2008
Aggregate emoluments	85,633	91,456
Share based payments	-	-

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical judgments in applying the Group's accounting policies

In the application of the Company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant critical judgment that the directors 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 costs.

In particular, management is required to assess exploration and evaluation assets for impairment with reference to the indicators provided in IFRS 6. Note11 to the Company's 2008 annual financial statements discloses the carrying values of such assets. As part of this assessment, management has carried out an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation costs is dependent on a number of factors common to the natural resource sector. These include the extent to which the Company can establish economically recoverable reserves on its properties, the availability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Company 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.

Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The estimate of significance in the consolidated financial statements relates to the joint venture arrangement with Newmont. In accordance with the terms of the joint venture arrangement, costs with respect to the Armenian project are shared equally between the two parties.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including The Company's President and Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the President and Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS AND PROCEDURES

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the period ended June 30, 2009. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that the design of these internal controls and procedures over financial reporting was effective.

There have been no material changes in the Company's internal control over financial reporting during the Company's reporting period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

We, Timothy Coughlin (CEO) and Roderick Corrie (CFO) certify that we are responsible for establishing and maintaining disclosure controls and procedures (DC&P) as well as internal controls over financial reporting (ICFR). We also certify that we have designed such internal controls over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The CEO and CFO have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of its internal control over financial reporting as of June 30, 2009, pursuant to the requirements of Multilateral Instrument 52-109.The CEO and CFO have concluded, based on this evaluation, that the company's disclosure controls and procedures are effective, and that the design of internal control over financial reporting provides reasonable assurance regarding the reliability of the company's financial reporting and the preparation of the company's financial statements for external purposes in accordance with (Canadian) GAAP.

Furthermore, there were no changes in internal control in the second quarter that we considered should be disclosed.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMEMTS

The information provided in this report, including the 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 accompanying financial statements.

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

INFORMATION ON INCURRED EXPENSES

Material costs incurred in six and three months to June 30, 2009 and 2008 were the follows:

Cost type	Three months to June 30,		Six months to June 30,	
	2009	2008	2009	2008
	£	£	£	£
Exploration and evaluation deferred expenditures	144,245	760,427	291,920	972,419
Employees benefit and expenses	259,255	124,175	463,780	316,053
Services, consumables used and	149,186	68,490	387,351	120,409

other				
Consulting expenses	41,373	35,411	61,139	65,930
Depreciation and amortization	38,111	12,174	78,284	27,839

SUMMARY OF QUARTERLY RESULTS

The summary of eight most recently completed quarters is follows:

	Q3 2007	Q4 2007	Q1 2008	Q2 2008
	£	£	£	£
Net sales or total revenues	-	-	-	-
Net income (loss)*	(426,260)	(330,590)	(491,436)	(204,250)
Loss per share (basic and diluted)	0.01	0.01	0.01	0.01

	Q3 2008	Q4 2008	Q1 2009	Q2 2009
	£	£	£	
Net sales or total revenues	-	-	-	-
Net income (loss)*	(355,985)	(1,027,712)	(446,297)	(502,052)
Loss per share (basic and diluted)	0.01	0.02	0.01	0.02

* The company has not any discontinued operations within eight reportable quarters.

TAXES PAID IN ARMENIA AND KOSOVO

LYDIAN INTERNATIONAL LIMITED IN ARMENIA AND KOSOVO
Summary of payments to the Armenian and Kosovo State Budgets

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

	AMOUNTS PAID IN ARMENIAN DRAMS TO ARMENIAN GOVERNMENT		AMOUNTS PAID IN EUROs TO KOSOVO GOVERNMENT	
Item	6 months to June 30, 2009	12 months to December 31, 2008	6 months to June 30, 2009	12 months to December 31, 2008
Profit tax prepayment	-	1,185,500	-	-
Concession fee	43,604,000	520,100	4,177	11,600
Social Insurance Funds Employer	6,857,000	20,857,713	7,933	19,832
Social Insurance Funds Individual	1,836,100	3,903,562	7,933	19,832
Environmental fees	-	350,909	-	-
Penalties	-	150,000	-	-
Customs duty	439,100	5,765,880	-	10,890
Land fee	-	-	-	4,600
Property tax	231,000	169,550	-	
Income tax	18,030,000	55,440,000	12,428	72,708
Non resident withholding tax	18,100,000	24,300,000	-	-
VAT	16,264,705	51,496,223	-	207,210
Total	**105,361,905**	**164,139,437**	**32,471**	**346,672**
Equivalent GBP	**204,194**	**290,014**	**29,191**	**276,020**

OTHER INFORMATION

Additional information is available on the Company's website at www.lydianinternational.com or on the SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates or other opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward looking statements.