LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015

MAY 13, 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 three month period ended March 31, 2015 and are dated May 13, 2015 **("Q1 2015")**. This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements and the notes thereto as of March 31, 2015. All financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* 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$".

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", "project", "could", "believe", "predict", "potential", "should" 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 timing of the receipt of any outstanding regulatory and governmental approvals for the Corporation's projects;
- the ability to meet environmental and social standards and expectations;
- 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 and on a timely basis;
- the ability to attract and retain skilled staff;
- exploration and development timetables;
- capital expenditure and operating cost estimates;
- market competition; and

- the accuracy of the Corporation's resource 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, exploration and development risks, changes in commodity and, particularly, gold prices, access to skilled mining personnel, results of exploration and development activities, costs and effectiveness or operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals and unanticipated environmental impacts on operations. 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 contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might 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.

COMPANY DESCRIPTION

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 mineral resources and open extensions.

Q1 2015 HIGHLIGHTS

Improved Economics to Feasibility Study – The Corporation plans to make changes to its current Amulsar mine design in order to take advantage of recent legislative changes, as well as incorporating potential updating of certain proposed operating metrics. The update is to reflect anticipated revised and improved project economics, including a possible reduction in operating costs to be realized over the life of mine.

Value Engineering – A program was started to identify additional economic improvements and conduct reviews of potential construction packages. This value engineering program is focusing on opportunities to reduce capital costs without adversely affecting operating costs. The possibility of moving from self-mining to contract mining is also under review.

Project Planning – Early planning activities were initiated, with focus on developing the initial project execution plan, evaluating contracting alternatives, and designing the framework for project management and controls.

Land Acquisition – The Corporation began negotiations with private land owners to acquire surface rights within the Amulsar project footprint. Based on current progress, contracts may in place by the end of 2015.

Cash Position Strengthened – The Corporation held cash and short-term investments of $20.6 million as of March 31, 2015, reflecting the proceeds of a bought deal and private placement during Q1 2015. The current treasury will support many of the pre-construction work programs slated for the coming months.

RECENT DEVELOPMENTS

Amulsar Gold Project – Project Update

With completion of the updated National Instrument 43-101 feasibility study (the **"2014 Technical Report"**) and approval of the mining right for the Amulsar Gold Project during Q4 2014, the Corporation started a number of pre-construction work programs during Q1 2015. Focus was directed at de-risking activities, including economic optimization, construction planning and controls, land acquisition, and ongoing environmental and social initiatives.

Amulsar economics are expected to improve as a result of recent legislative changes by the Republic of Armenia and the potential updating of certain proposed operating metrics. For purposes of the 2014 Technical Report, the haul roads and pit ramps were designed consistent with the then current Armenian legislation requirements, which limited mine ramp gradients to a maximum of 7%. Under newly enacted regulations in Armenia, the maximum allowable ramp gradient for haul roads has been increased to 10%. The Corporation plans to make changes to its current mine design including the potential updating of certain proposed operating metrics, which may reduce operating costs over the life of mine. A revised feasibility study is expected to be complete during May 2015. AMC Consultants (UK) Limited is preparing a Technical Report in accordance with NI 43-101 relating to the foregoing and therefore the impact of such changes on economics may be revised as a result of the additional analysis undertaken in order to prepare such Technical Report.

Management is conducting a value engineering review to evaluate a number of potential opportunities to further improve project economics. This program is focusing on opportunities to reduce capital costs without adversely affecting operating costs. The most significant opportunities identified to date involve possible elimination of tertiary crushing and changing primary crushing equipment from a gyratory to a jaw crusher. The possibility of moving from self-mining to contract mining is also under review. Quantification of the value engineering exercise is dependent upon additional testing and design work, which is ongoing.

Early planning and other pre-construction activities were initiated during Q1 2015. An initial project execution plan was developed, which will serve as a working document for managing project design and construction activities. This document will evolve as Amulsar construction proceeds. Along with this planning, an initial framework for project controls was developed, including work and cost breakdown structures. Consideration of contracting strategies and vendor appraisals was started and is continuing.

The heap leach facility ("HLF") and other plant facilities will be situated on private lands that the Corporation will be required to purchase. Certain other lands will be leased during the life of mine. Negotiations to purchase surface rights in the area of the HLF started during Q1 2015, and are progressing well. This process is expected to continue into Q3 2015. Negotiations regarding surface rights to be leased will be started later in 2015 or early 2016.

A number of environmental and social initiatives were advanced during Q1 2015. This included third-party reviews and editing of the draft Environmental and Social Impact Assessment ("ESIA"). The ESIA is an important document, which will be a cornerstone for developing international best practices and adhering to the requirements of two of the Corporation's strategic investors, namely the International Finance Corporation ("IFC") and the European Bank of Reconstruction and Development as well as the Equator Principles compliant banks. Planning was done for several programs to be conducted during the summer and fall of 2015. Management also continued community support activities.

IFC, through the Office of the Compliance Advisor Ombudsman ("CAO"), continued an internal assessment of two complaints received in connection with IFC's investment in Amulsar. The assessment phase of both complaints continued in Q1 2015 by a team from the CAO Office. The EBRD received in Q2 2014 a similar complaint to the first one to the CAO from essentially the same complainants and is following its project complaint mechanism process. The Corporation continues to cooperate with IFC and the EBRD.

Kela Project - Project Update

In Q1 2015 there was no activity or expenditures associated with the early stage gold prospect known as the Kela Project in the Guri region of the Ozurgeti province in Georgia.

Financing

The Corporation completed two offerings of Ordinary Shares during the course of Q1 2015. First, the Corporation completed a bought deal transaction with a syndicate of underwriters on February 4, 2015 (the **"2015 Offering"**). The Corporation 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 2015 Offering, 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.

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 office of Lydian is located at Suite 3, 5/6 Esplanade, St. Helier, Jersey, JE2 3QA, Channel Islands. The administrative office, which operates through Lydian U.S. Corporation, is located at 7000 South Yosemite Street, Suite 201, Centennial, Colorado, 80112, USA. The Corporation's Ordinary Shares began trading on the Toronto Stock Exchange ("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 Gold Project, a gold development-stage project located in the Republic of Armenia. The 2014 Technical Report outlines a mine development and construction plan designed at achieving average production of approximately 200,000 ounces of gold per year.

The Corporation's strategy is to carry out the mine development and construction plans for the Amulsar Gold Project as described in the 2014 Technical Report and to transition to a gold producer. To this end, the Corporation is focused on obtaining additional funds to carry out its near-term planned work programs, as described below, and the project financing necessary to fully complete its mine development and construction plans for the Amulsar Gold Project.

In addition, the Corporation holds a combined exploration-mining license covering the Kela Project. At the present time, the Kela Project does not comprise a material aspect of the Corporation's business.

SELECTED FINANCIAL INFORMATION

First quarter 2015 vs. first quarter 2014

	For the three months ended March 31, 2015	2014
Interest income	$ 10,379	$ 35,003
Total expenses	$ 1,782,411	$ 1,683,577
Net loss	$ (1,772,032)	$ (1,648,574)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.01)

During the quarters ended March 31, 2015 and 2014, the Corporation had no revenues other than interest income from bank deposits.

For the quarter ended March 31, 2015, the Corporation recorded a net loss of $1.8 million ($0.01 per share) compared to $1.7 million ($0.01 per share) during the corresponding period in 2014, or a 6% increase. The increase in net loss of approximately $105,000 for the quarter ended March 31, 2015, is due to several factors. First, a foreign currency gain of $193,000 was realized in the

2014 period while a loss of $132,000 was realized in the 2015 period. The resulting $325,000 difference in foreign currency gain/loss was partially offset by a $237,000 reduction of general and administrative costs.

There were no extraordinary transactions during Q1 2015.

Summary of Balance Sheet Data

The following table summarises the Corporation's financial position as of:

	March 31, 2015	December 31, 2014
Cash and Short-term Investments	$ 20,617,971	$ 11,048,339
Other Current Assets	1,033,109	1,059,576
Property Pland & Equipment, net	3,902,433	2,433,329
Exploration and Evaluation Asset	61,062,633	58,921,727
Other Non-current Assets	3,243,984	3,208,310
Total Assets	$ 89,860,130	$ 76,671,281
Current Liabilities	$ 2,767,321	$ 1,577,426
Non-current Liabilities	347,564	344,754
Total Equity	86,745,245	74,749,101
Total Liabilities and Equity	$ 89,860,130	$ 76,671,281

For Q1 2015, cash and short-term investments of the Corporation increased by approximately $9.6 million primarily as a result from the net proceeds of the 2015 Offering and the IFC Private Placement, offset by operating and investing uses of cash throughout Q1 2015 as set out in the Corporation's statement of cash flows for Q1 2015 and discussed below.

For Q1 2015, the net balance in property, plant and equipment increased by approximately $1.5 million due to acquisitions of surface rights needed for construction of the HLF and the Adsorption-Desorption-Regeneration plant.

The Corporation's exploration and evaluation assets increased by approximately $2.1 million during Q1 2015. Approximately $1.5 million was invested in the Amulsar Gold Project through technical services (value engineering and optimization efforts, metallurgical testing, and development of the project execution plan), Environmental, Social Impact Assessment ("ESIA") studies, salaries, land and equipment rentals, and other related expenditures. Additionally, depreciation of $180,000 capitalized and there were foreign currency translation gains of $410,000. A translation gain was realized as the Armenian dram strengthened slightly against the U.S. dollar. During Q1 2015 there were no additions to the Kela Project, the reduction in value is due to exchange rate differences as the Kela Project is primarily denominated in the Georgian lari which weakened against the U.S. dollar. This foreign currency translation gain was recorded directly to other comprehensive income.

During Q1 2015, the Corporation's current liabilities increased $1.2 million due to contracts signed for the acquisition of surface rights that had not yet been paid at March 31, 2015.

Equity increased during Q1 2015 due to the $14.2 million in proceeds from the Offering and the IFC private placement, offset by share issuance costs of $1.1 million and comprehensive loss of $1.3 million.

Summary of Cash Flows

The following table is a summary of cash flows:

	2015	2014 (restated)
Cash used in operations	$ (1,902,204)	$ (1,618,901)
Cash used in investing activities	(1,675,439)	(1,202,119)
Cash generated from financing activities	13,168,213	16,152,021
Increase in cash and cash equivalents	9,590,569	13,331,001
Foreign exchange effect on cash	(20,938)	(434,931)
Cash and cash equivalents, beginning of period	9,448,339	8,549,127
Cash and cash equivalents, end of period	19,017,971	21,445,197

Cash used in operations in the quarter ended March 31, 2015, increased $283,000 over the same period in 2014 due to the payment of performance based bonuses in 2015 of $550,000 ($0 in 2014) offset by overall reductions in general and administrative costs.

Cash used in investing activities increased by approximately $475,000 in Q1 2015 versus the same period in 2014 primarily related to costs associated with advancing the Amulsar Gold Project, such as surface right acquisition, value engineering, optimization and project execution plan development and ESIA finalization.

Cash from financing activities in Q1 2015 relate to the net proceeds from the 2015 Offering and the IFC private placement of $13.2 million versus $16.2 million of net proceeds from a bought deal transaction and two private placements with the Corporation's strategic partners in 2014.

For reporting periods commencing from the year ended December 31, 2014, the Corporation elected to change the presentation in the Statements of Cash Flows to reflect the more widely used "indirect method" of reporting cash flows. Accordingly, the Statement of Cash Flows for three month period ended March 31, 2014 was restated to provide comparability with the Statement of Cash Flow for the year ended December 31, 2014. In addition to restating the Q1 2014 cash flows for comparability, an error in allocation between operating cash flow and the foreign exchange effect on cash was corrected. Cash used in operations was decreased by $638,390 and loss from foreign exchange effect on cash increased by $638,390. These changes had no impact on financial position, net loss, comprehensive loss or financing and investing cash flows previously presented.

Exploration and evaluation assets

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

The cumulative amount of such costs as of March 31, 2015 and December 31, 2014 was:

Project	March 31, 2015	December 31, 2014
Amulsar Gold Project - Armenia	$ 60,606,173	$ 58,376,135
Kela Project – Georgia	456,460	545,592
Total	$ 61,062,633	$ 58,921,727

Expenditures for exploration and evaluation assets are recorded in the Corporation's accounts in Armenian rams for the Amulsar Gold Project and in Georgian lari for the Kela Project. Both currencies are translated to U.S. dollars for financial statement presentation purposes.

During Q1 2015, the increase in the Amulsar Gold Project of $2.1 million, includes approximately $500,000 as a result of translation exchange rate differences. During Q1 2015 the Armenian dram gained slightly in value towards other currencies including the U.S. dollar. During Q1 2015, the Corporation did not invest in the Kela Project and the U.S. dollar strengthened against the Georgian lari, resulting in a reduction in the exploration and assets balance of approximately $89,000. 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 Q1 2015 and the corresponding period in 2014:

	For the three months ended March 31,	
Project development	$ 1,074,021	$ 855,418
Capitalized salaries	165,129	156,960
Land rents	246,431	220,943
Consultants fees	-	47,420
Capitalized depreciation and amortization	180,162	216,717
Consumables, Rents, Mainteanance, Other	43,495	41,326
State duties and fees	21,048	24,457
	$ 1,730,286	$ 1,563,241

Project development expenditures for Q1 2015 included pre-construction activities. Value engineering to identify possible improvements to project economics, construction planning, developing a framework for project controls, and vendor appraisals were among the key work programs. By contrast, work programs for the corresponding period of 2014 included initial technical studies and design work for the 2014 Technical Report that was ultimately completed in October 2014. Much of the Q1 2014 work focused on re-design of the HLF to accommodate the conclusion of the working group formed by the Government of the Republic of Armenia during 2013.

SUMMARY OF QUARTERLY RESULTS

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

	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Net sales or total revenues	$ -	$ -	$ -	$ -
Net loss	$ (1,772,032)	$ (2,732,533)	$ (1,686,501)	$ (2,835,604)
Net loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net sales or total revenues	$ -	$ -	$ -	$ -
Net loss	$ (1,648,574)	$ (2,451,663)	$ (1,988,296)	$ (2,506,222)
Net loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)

The Corporation's net losses are not significantly impacted by seasonality. Expenses vary primarily due to changes in currency rates that affect foreign currency gains and losses.

OUTSTANDING SHARE DATA

A summary of outstanding shares and option is set out below.

		As of	
	May 13, 2015	March 31, 2015	December 31, 2014
Ordinary Shares	184,632,587	184,632,587	152,153,926
Stock options	7,200,000	5,040,000	5,650,000

The Corporation has one class of shares, being Ordinary Shares.

LIQUIDITY AND CAPITAL RESOURCES

Working capital of as of March 31, 2015 was $18.9 million compared to $10.5 million as of December 31, 2014. The Corporation's principal source of liquidity as of March 31, 2015 was cash and short term investments of $20.6 million compared to $11.0 million as of December 31, 2014. This increase in the cash and short-term investments was primarily the result of net proceeds received totaling $13.2 million from issuances of Ordinary Shares during the first quarter of 2015, reduced by payments for operating activities and cash used in the development of the Amulsar Gold Project. Cash surplus to the Corporation's immediate requirements is invested in short-term bank money market deposits.

Historically, the Corporation has used net proceeds from issuances of Ordinary Shares to provide sufficient funds to meet its near-term exploration and development plans and other contractual obligations when due. However, construction of the Amulsar Gold Project will require substantial additional capital resources. This includes near-term funding and, ultimately, funding for project construction and other costs.

Management has developed pre-construction work programs targeted for completion during 2015. The intent of these near-term programs is to prepare the Corporation for construction and financing activities. The estimated costs of these programs for 2015 are as follows:

	Work Programs (In Millions)
Planning, engineering and early works	$8.8
Drilling	1.4
Land acquisition	5.6
Land access and rental	1.2
Environmental & social	2.0
Debt financing	2.0
General corporate purposes	7.0
	$28.0

Working capital of $10.5 million at December 31, 2014 plus the $13.2 million of proceeds from the financings completed during Q1 2015 provided available working capital of $23.7 million for purposes of funding 2015 work programs. As such, additional working capital will be required to fully complete the 2015 work plans at the desired pace, support general corporate purposes, fund financing costs and provide a sufficient working capital reserve. Available sources may include issuances of additional Ordinary Shares, an alternative form of equity-linked security, streaming or royalty transactions, or bridge debt financing. Should additional sources of working capital not be available, management will be required to curtail or defer certain activities.

Construction of the Amulsar Gold Project will require substantial additional capital. This will include estimated initial capital costs of $426 million, debt financing fees and interest expense during construction, working capital and other reserves, cost overrun funding and general corporate purposes until sustainable positive cash flows from operations can be achieved. These requirements are currently beyond the Corporation's available working capital or its ability to source additional working capital solely through issuances of Ordinary Shares.

Management is presently pursuing a number of potential long-term sources of funding to supplement the equity component of the anticipated project financing. This may include senior secured project financing, subordinated debt, equipment-vendor financing, debentures, streaming or royalty transactions, joint venture participation, use of a contract miner and several other alternative funding sources. Management is targeting a financing package in the order of $300 million.

Additional information relating to liquidity and capital resources is discussed in the Corporation's MD&A for the year ended December 31, 2014, which is available on SEDAR at www.sedar.com.

The time periods and the Corporation's costs related to the milestones as set out above and other estimates contained in studies or estimates or 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 these objectives will not be higher than currently expected.

While the Corporation believes it can accomplish its stated business objectives, participation in the exploration for and development of mineral properties has a number of inherent risks. See Additional Information and Risk Factors, below, and the Corporation's MD&A for the year ended

December 31, 2014 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 and timing commitments to the licensing authorities for the Corporation's projects. Should these expenditure targets not be met, the applicable licenses will not automatically be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor in whether to renew such licenses.

USE OF PROCEEDS

The Corporation completed a bought deal financing on February 18, 2014. The stated use of proceeds from that financing were set out in the prospectus dated February 10, 2014 ("**2014 Prospectus**"). The table below provides a comparison of the use of proceeds from 2014 Prospectus to the actual use of proceeds as of December 31, 2014.

	2014 Prospectus (In Millions)	Actual (In Millions)
Engineering and Environmental Studies	C$3.6	C$3.6
Land Acquisition	2.0	0.1
Armenian Office Overhead Costs	4.2	4.2
Jersey Office Overhead Costs	3.0	3.0
Deep Exploration Drilling	1.3	-
Community Development Projects	0.3	0.3
Regulator Engagement Education Program	0.3	0.3
Capacity Training in Local Communities	0.3	-
Down Payment on Equipment	1.0	-
Site Accommodation Improvements	0.3	-
	C$16.2	C$11.4

At the outset of 2015, the Corporation developed pre-construction work programs targeted for completion during 2015. These work programs reflect updated plans and related expenditures, and are estimated to total $28.0 million as described above in Liquidity and Capital Resources. To partially fund these work programs, the Corporation completed the 2015 Offering and the IFC Private Placement during Q1 2015. The stated use of proceeds from the 2015 Offering were set out in the prospectus dated January 28, 2015 ("**2015 Prospectus**"). The table below provides a comparison of the use of proceeds from 2015 Prospectus to the actual use of proceeds during Q1 2015.

	2015 Prospectus (In Millions)	Actual (In Millions)
Planning, engineering and early works	$ 3.5	$ 0.7
Drilling	1.4	-
Land acquisition	5.5	1.1
Land access and rental	0.6	0.3
Environmental & social	0.8	0.3
Debt financing	1.0	0.1
	$ 12.8	$ 2.5

During Q1 2015, the Corporation carried out its work programs within the context of the use of proceeds set out above and funded other expenditures for general corporate purposes from working capital available at December 31, 2014. Generally, actual use of proceeds in Q1 2015 were in line with the proposed use of proceeds set out in the 2015 Prospectus. Drilling expenditures will, however, be lower than anticipated as Management has concluded that its planned metallurgical drilling program for 2015 will be approximately $1.0 million less than the $1.4 million drilling program as originally envisaged.

LYDIAN INTERNATIONAL LIMITED IN ARMENIA

Summary of payments to the Armenian State Budgets and local community governments [1]

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 three months ended March 31, 2015	2014
State duty on mining and explortion license	$ 21,048	$ 24,457
Income tax withheld from employee salary/benefits	128,044	62,185
Land rent	241,013	208,302
Other taxes	9,606	10,934
	$ 399,711	$ 305,878

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

FINANCIAL AND OTHER INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, other receivables, the rehabilitation prepayment, and accrued liabilities and accounts payable. The fair value of the financial assets and financial liabilities approximates their carrying value. 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. The Corporation does not engage in any hedging activities.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF BALANCE SHEET ARRANGEMENTS

Significant contracts

During Q1 2015, the Corporation began negotiations with private land owners for parcels of land necessary for the construction of the Amulsar Gold Project. The Corporation is entering into contractual arrangements for the purchase of land in accordance with the Corporation's Land Acquisition Livelihood and Restoration Plan.

Off balance sheet arrangements

On April 23, 2010, the Corporation purchased from Newmont Overseas Exploration Limited (**"Newmont")** all of Newmont's interest in a joint venture between the Corporation and Newmont, including all of Newmont's interest in the Amulsar Gold Project. Consideration included cash installment payments completed by October 2013 and a 3% Net Smelter Royalty (**"NSR"**) payable to Newmont on all production. 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 back 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 interim condensed Consolidated Statement of Financial Condition.

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

RISK FACTORS AND ADDITIONAL INFORMATION

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 the Corporation's securities, cash flows, financial condition, results of operations, existing business activities, plans and prospects.

Risk factors and additional information relating to the Corporation are discussed in the Corporation's Annual Information Form and other filings available on SEDAR at www.sedar.com.

RELATED PARTY TRANSACTIONS

Related parties include the Corporation's Board of Directors, officers and key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. The Corporation does not have any transactions with related parties other than compensation as detailed in this section.

As an incentive mechanism to retain key management, compensation is structured to include short-term incentives of salaries, bonuses, and benefits and long-term incentives in the form stock options that vest over an extended time. The aggregate compensation awarded to related parties for the periods indicated below was as follows:

	For the three months ended March 31,	
	2015	2014
Salaries and benefits	$ 293,218	$ 311,194
Share-based compensation	121,857	246,755
	$ 415,075	$ 557,949

Share-based compensation relates to the portion of stock options that vested during the period. There were no stock options granted during Q1 2015

CRITICAL ACCOUNTING ESTIMATES AND POLICIES AND ACCOUNTING CHANGES

The Corporation's unaudited interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The most significant accounting policies applied and changes in recent accounting pronouncements are described in Note 2 and Note 3 to the Corporation's consolidated financial statements for the year ended December 31, 2014.

In applying the Corporation's accounting policies, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial period, including the key sources of estimation uncertainty were based upon the same principles as those applied in the last annual financial statements for the year ended December 31, 2014, taking into consideration changes in circumstances that occurred during the interim period.

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 interim condensed 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 7 to the interim condensed consolidated financial statements 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 Corporation can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the availability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation 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.

Changes in accounting policies

The accounting policies applied in preparing the unaudited interim condensed consolidated financial statements were based on applicable IFRS and interpretations effective as at March 31, 2015. There have been no changes from the accounting policies applied in the December 31, 2014 financial statements, except to change the presentation in the statements of cash flows to reflect the more widely used “indirect method”. The change is described in Note 3 of the accompanying unaudited interim condensed consolidated financial statement for the three month period ended March 31, 2015.

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 March 31, 2015. The Corporation’s Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Corporation’s DC&P and ICFR as of March 31, 2015 and have concluded that these controls and procedures are adequately designed 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 quarter ended March 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 interim condensed 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 interim condensed 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.

PUBLIC SECURITIES FILINGS

Additional information about the Corporation, including its most recent Annual Information Form, is available on SEDAR at www.sedar.com.