LYDIAN INTERNATIONAL LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016

August 10, 2016

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 and six month period ended June 30, 2016, dated August 10, 2016 ("Q2 2016"). This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements and the notes thereto as of June 30, 2016 and for the three and six month period June 30, 2016. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All monetary figures are expressed in U.S. Dollars unless otherwise indicated. Canadian Dollars are referred to as "C$" and Armenian Dram are referred to as "AMD".

Capitalized terms have the meaning ascribed thereto in the Glossary of Defined Terms found at the end of this MD&A.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements, as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect Management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Corporation. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "would", "project", "budget", "scheduled", "forecast", "could", "believe", "predict", "potential", "should", "might", "occur", "achieve" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. In particular, information regarding: the Corporation's future operating results and economic performance; the anticipated completion of the equipment financing and the Financing Transactions; the completion, effectiveness or availability, as the case may require, of the other Financing Transactions; the Corporation's expectations regarding receipt of the second advance under the Stream Agreement and its ability to meet its gold and silver delivery obligations thereunder; the impact of the Offering, the equipment financing and the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the receipt of required regulatory and other approvals; the anticipated economic and feasibility parameters of the Amulsar Gold Project; the expected cost and timing of development of the Amulsar Gold Project, including the related key milestone dates; the expected mine life, scale, construction, mining operations and plan, processing methods and rate, grades, recovery rates, total recovery, stripping ratio, average annual tonnes mined/processed, production and other attributes of the Amulsar Gold Project; the anticipated timing for the receipt of permits; the anticipated timing for the development of the Amulsar Gold Project; and the anticipated key design features for the mining operations at the Amulsar Gold Project is forward-looking information.

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

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals;
- the exchange rate between the Canadian dollar, the Armenian dram, the British pound, and the U.S. dollar;
- the timing of the receipt of any outstanding regulatory and governmental approvals for the Corporation's projects;
- the availability of financing for the Corporation's development of its properties on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities, on a timely basis and on reasonable terms;
- there being no significant disruptions affecting the development and operation of the Amulsar Gold Project;
- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;
- tax rates, including the allocation of certain tax attributed to the Amulsar Gold Project;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of the Amulsar Gold Project;
- that the 5% discount rate used to complete the Q4 2015 Technical Report is sufficient;
- labour and materials cost increases;
- permitting and arrangements with landholders;
- the ability to attract and retain skilled staff;
- exploration and development timetables;
- market competition;
- the accuracy of the Corporation's resource and reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based;
- the satisfaction or waiver of all conditions to the completion, effectiveness or availability, as the case may require, of each of the Financing Transactions;
- the receipt of funds under each of the Financing Transactions; and
- the receipt of the second deposit under the Stream Agreement and the Corporation's ability to meet its gold and silver delivery obligations thereunder.

These forward-looking statements involve risks and uncertainties relating to, among other things, significant capital requirements and availability of capital resources to fund such requirements; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, Armenia, Great Britain and the United States; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Armenia; taxation; changes to the Corporation's mine plan or profitability or to the Company's asset profile that might alter the allocation of tax attributes to the Amulsar Gold Project; controls, regulations and political or economic developments in Jersey, Canada or Armenia; the speculative nature of mineral exploration and development; risks associated with obtaining and maintaining the necessary licenses and permits and complying with permitting requirements, including, without limitation, approval of the Armenian Government and receipt of all related permits, authorizations or other rights; the uncertainties inherent to current and future legal challenges the Corporation is or may become a party to; diminishing quantities or grades of reserves and resources; competition; loss of key employees; adverse general economic, market or business conditions; additional funding requirements; rising costs of labour, supplies, fuel, electricity and equipment; actual results of current exploration activities; uncertainties inherent to mining economic studies such as Q4 2015 Technical Report, including the risk that the assumptions underlying the Q4 2015 Technical Report and its economic parameters will not be realized;

changes in project parameters as plans continue to be refined; accidents; labor disputes; defective title to mineral claims or property or contests over claims to mineral properties; delays and costs inherent to consulting and accommodating local stakeholders; and uncertainties with respect to obtaining all necessary surface rights, land use rights and other tenure from the Armenian government and private landowners required for the Amulsar Gold Project. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks). Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors referenced in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might change or not occur. The Corporation cautions that the foregoing list of important factors is not exhaustive. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law. See "Forward-Looking Statements" in the Annual Information Form and other filings available on SEDAR at www.sedar.com.

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

COMPANY DESCRIPTION

Lydian is a gold developer, focusing on construction at its 100%-owned Amulsar Gold Project, located in south-central Armenia. Amulsar presents an opportunity for a large scale, low cost operation with production expected to begin in 2018. Open pit mining and conventional heap leach processing contribute to excellent scale and economic potential. Amulsar 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 greater than 200,000 ounces annually over an initial 10 year mine life. Existing mineral resources and open extensions provide opportunities to improve average annual production and extend the mine life. The Company is committed to good international industry practices in all aspects of its operations including production, sustainability, and corporate social responsibility.

Q2 2016 HIGHLIGHTS

Significant accomplishments during Q2 2016 supported Lydian's formal decision to proceed with construction at Amulsar and an immediate start of preparatory work ahead of on-site development activities slated to begin later this year. The current quarter was highlighted by:

- Shareholder approval and satisfaction of other key conditions of the Financing Transactions, which permitted funding of $80 million to the Corporation from Private Placements with Resource Capital Fund VI L.P. and Orion CO-IV (ED) Limited;
- Offering proceeds of $29.5 million being released to the Corporation;
- Receipt from the Republic of Armenia of updated approvals to the Corporation's Mining Right, EIA and Technical Safety Program to align each with the November 2015 Amulsar technical report;
- Acquisition of substantially all of the requisite private land and initiation of the process to convert Amulsar landholdings to industrial use;
- Hiring of key personnel, including a COO and VP Sustainability;
- Launching detailed engineering for major project areas including the HLF, haul roads, and water management;
- Pre-construction activities to prepare the site for mass earthworks;
- Public disclosure of the updated ESIA reflecting improvements realized from Lydian's successful 2015 value engineering program;
- Initiating a drilling program with the objectives of converting inferred resources to indicated and of detailing the first period of mine production.

RECENT DEVELOPMENTS

Financing – Activities during Q2 2016 culminated in the Corporation receiving the Offering proceeds of $29.5 million that had been held in escrow pending receipt of a favorable vote from existing Shareholders at an extraordinary general meeting held on May 18, 2016 and upon satisfaction of certain additional escrow release conditions. Concurrently, $80.0 million was received by the Corporation in connection with the RCF and Orion Private Placements. The Corporation also signed mandate agreements with three prospective lending sources for project equipment. In aggregate, Lydian is seeking $70 – 80 million of equipment financing for the mining fleet, material handling equipment and other ancillary equipment and facilities. Subsequent to the end of Q2 2016, the EBRD received approval for a C$11.4 million Private Placement, which is expected to close in August 2016. Lydian continues to advance toward completing the conditions precedent of the $35 million second deposit under the Stream Agreement and the $160 million Term Loan.

Government Approvals – The Q4 2015 Technical Report outlined modifications to the general lay-out of Amulsar that necessitated amendments to the Armenian Mining Right, EIA and other documents. The approval process was essentially the same as the process successfully completed by the Corporation during 2014. The Corporation completed all required stakeholder engagement meetings and in April, the EIA was approved by the Ministry of Nature Protection and the Amulsar mine design Technical Safety Program was approved by the Ministry of Emergency Situations. The process was successfully completed in May 2016 upon approval of the Mining Right by the Ministry of Energy and Natural Resources.

Land Acquisition - During Q2 2016, Lydian submitted an application for conversion from agricultural to industrial use for the private land plots that had been acquired at that time. This application included all land required for construction, with the exception of four plots that were in the expropriation process and one land plot that is in the process of being acquired. In Q3 2016, the initial conversion was approved, clearing the way for Lydian to initiate construction in substantially all areas. The expropriation process has been settled in favor of the Corporation, and all five remaining land plots can now be converted once final title transfer details are complete. The acquisition of the last five plots will not impact or delay the beginning of construction at Amulsar.

Management Team – The Corporation continued to strengthen its management team with both operational and leadership skills. Effect July 1, 2016, Messrs. Joe Phillips and Robert Carreau joined the Corporation as Chief Operating Officer and Vice President of Sustainability respectively. Joe and Bob join Lydian's existing owner's team and the third-party construction management team already active on the project.

Engineering – Engineering was initiated for the HLF, certain access and haul roads, the BRSF, and management system. Significant negotiations also advanced toward the awarding of engineering contracts for material handling and electrical systems. Refinement of the mining fleet requirements was also completed.

Construction – Upon receipt of $109.5 million of gross equity proceeds from the Private Placements and Offering, the Corporation formally approved a construction decision for Amulsar. While certain activities had already been initiated, this action directed management to move forward immediately with execution of the project plan. Various pre-construction activities accelerated during Q2 2016 and are continuing on plan. Site work included relocating an irrigation pipeline to outside the HLF footprint, restoration of a community water channel, and initiation of upgrades to existing access roads. Other important focuses included project controls systems, employee and contractor selection criteria and training requirements, construction housing, and temporary construction power and water.

ESIA Amendment –The ESIA amendment was completed, aligning the ESIA with the outcome of the Corporation's 2015 value engineering program. This document is required according to international standards as a means to disclose the Amulsar Project's environmental and social risks, the measures proposed by the company to mitigate these risks and the commitments made by the Company to its various international stakeholders. The amended ESIA was disclosed by the Corporation in May 2016. The EBRD disclosed the ESIA in May 2016, in preparation for seeking its board's approval of the C$11.4 million private placement announced in July 2016. Also, the IFC recently disclosed the ESIA as part of its process to receive board approval to invest up to $40 million through a partial purchase of components of the Financing Transactions.

Environmental and Social Responsibility – Previously initiated programs such as *Potentilla porphyrantha* translocation, the brown bear survey, community relations, and stakeholder engagement are continuing. Activities requiring field work, such as wildlife surveys, increased during Q2 2016. New programs to investigate possible biodiversity offset areas, perform archeological surveys, and complete local health-related baseline studies also started.

Drilling – Drilling commenced during 2016 at Amulsar. The objectives of the program are to target conversion of inferred mineral resources that are within the currently designed pit boundaries and increase drill density in certain areas for mine planning purposes.

BUSINESS OVERVIEW

The Corporation was incorporated under the Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the Corporation were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Corporation changed its name from “Dawson Creek Capital Corp.” to “Lydian International Limited”. By certificate of continuance effective December 12, 2007 pursuant to the Companies (Jersey) Law 1991, the Corporation was continued under the laws of Jersey from the Province of Alberta. The registered and head office of Lydian is located at Suite 3, 5/6 Esplanade, St. Helier, Jersey, JE2 3QA, Channel Islands. The Corporation also has a local office at 37 Hanrapetutyan Street, 4th floor, Yerevan 0010, Republic of Armenia. The Corporation’s Ordinary Shares began trading under the symbol LYD on January 10, 2008, and the Warrants began trading under the symbol LYD.WT on May 26, 2016.

The Corporation’s primary objective is to execute the development plan for Amulsar over a period of approximately 20 months. Upon completion, Amulsar is expected to process an average of 10 million tonnes of ore per year, producing 211,000 gold ounces annually. The initial mine life is designed for 10 years, and expansion potential remains open from currently defined mineral resources not included in the initial mine plan and possible extensions of the deposit. In addition, the Corporation holds a combined exploration-mining license covering an early-stage gold prospect known as the “Kela Project” in the Guri region of the Ozurgeti province in Georgia. At the present time, the Kela Project does not comprise a material aspect of the Corporation’s business operations.

SELECTED FINANCIAL INFORMATION

The following is selected information for the three and six month periods ended June 30, 2016 and 2015.

Results of Operations

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Interest income	$ 59,124	$ 4,431	$ 60,993	$ 14,810
Salaries and general & administrative costs	1,814,726	1,462,401	3,364,837	3,097,703
Loss on financial instruments at fair value	12,645,327	-	12,645,327	-
Other	(495,258)	655,091	(622,350)	802,200
Total expenses	13,964,795	2,117,492	15,387,814	3,899,903
Net loss	(13,905,671)	(2,113,061)	(15,326,821)	(3,885,093)
Net loss per share (basic and diluted)	$ (0.04)	$ (0.01)	$ (0.06)	$ (0.02)

During 2016 and 2015, the Corporation had no revenues other than interest income from bank deposits. The increase in interest income in 2016 is due to receiving $25 million under the Stream Agreement in December 2015 and funds received from the Offering and Private Placements in Q2 2016.

The increase in salaries and general and administrative of $0.3 million, or 9% for H1 2016 was due to increased professional fees and annual bonus payments made in 2016 and no corresponding expense in 2015, partially offset by a reduction in share-based compensation.

In connection with the Stream Agreement, Offtake Agreement and the warrants, the Corporation recognized derivative assets and liabilities that are carried at fair value. As the gold price increased in Q2 2016, the Corporation recorded a net loss in fair value of $12.6 million associated with its derivatives.

Other, consists of gains on foreign currency, which increased $0.5 million in H1 2016 versus 2015 as the US dollar strengthened against the Canadian Dollar and Armenian dram, and a $0.9 million reduction in expense due to a one-time charge in 2015 for a total increase in gain of $1.4 million.

For H1 2016, the Corporation recorded a net loss of $15.3 million ($0.06 per share) compared to $3.9 million ($0.02 per share) during the corresponding period in 2015. The increase in net loss for H1 2016 of $11.4 million is due to the items discussed above.

For Q2 2016, the Corporation recorded a net loss of $13.9 million ($0.04 per share) compared to $2.1 million ($0.01 per share) during the corresponding period in 2015, an increase of $11.8M or over 550%. The majority of this change in net loss resulted from the items discussed above, most of which occurred during Q2 2016.

There was no income tax expense for H1 2016 and 2015.

There were no extraordinary transactions or significant end of reporting period adjustments during the H1 2016.

Summary of Balance Sheet Data

The following table summarises the Corporation's financial position:

	As of	
	June 30, 2016	December 31, 2015
Cash and cash equivalents	$ 123,641,852	$ 28,553,813
Other current assets	1,089,274	518,012
Property plant & equipment, net	5,757,385	5,508,488
Development assets	75,845,689	-
Exploration and evaluation assets	458,857	67,197,151
Derivative asset	5,169,288	-
Financing costs	18,544,326	2,538,164
Other non-current assets	3,876,341	3,633,342
	$ 234,383,012	$ 107,948,970
Current liabilities	$ 3,370,070	$ 26,935,925
Stream liability	23,804,513	-
Derivative liabilities	46,027,724	-
Provisions	343,518	338,498
Total Equity	160,837,187	80,674,547
Total Liabilities and Equity	$ 234,383,012	$ 107,948,970

Cash and cash equivalents increased by $95.1 million or 333% from year end due to $103.3 million net proceeds from the Offering and Private Placements offset by $0.3 million of other financing costs, $3.0 million used for operational expenses and $4.8 million for expenditures related for furthering exploration and development at Amulsar.

The Corporation's other current assets increased $0.6 million primarily due to pre-payments made in connection with construction activities.

During H1 2016, the net balance in property, plant and equipment increased by $0.2 million as a result of purchases $0.5 million for land, vehicles and software, offset by normal depreciation.

On May 26, 2016 the Corporation formalized its decision to begin construction at Amulsar. Exploration and evaluation costs associated with Amulsar of $71.7 million were reclassified to development assets. Construction planning, engineering, and early works activities commenced. Expenditures for Amulsar totaled $8.0 million for H1 2016 as shown below.

The Stream Agreement provides an option to reduce metal deliveries by 50% at certain anniversary dates coupled with a cash payment. This option represents a derivative asset and is carried at fair value of $5.1 million.

Financing costs increased $16.0 million related primarily to initial recognition of $21.9 million for the embedded derivative associated with the Offtake Agreement, $0.7 million associated with the Loan – Fee Warrants, costs for third-party services of $6.3 million, offset by $3.6 million resulting from the de-recognition of the advance under Stream Agreement and replacement with the streaming liability, $3.1 million associated with the Stream Prepayment Option and the allocation of $6.2 million of financing costs as a charge to equity associated with the Offering and Private Placements.

The decrease in current liabilities of $23.6 million during H1 2016 is due to the de-recognition of the $24.9 million of advances under Stream Agreement, offset by an increase in trade payables of $1.4 million associated with activities in support of construction activities.

The advances under Stream Agreement was replaced with the stream liability resulting in an increase of $23.8 million including accrued interest. The difference between the de-recognition amount and the replacement value was credited to financing costs as discussed above.

In connection with the Financing Transactions, four derivative liabilities were recognized as of May 26, 2016. These derivative liabilities are carried at fair value, with adjustment made after initial recognition being recorded as gains or losses in the current period. The carrying value of derivative asset and liabilities as of June 30, 2016 consisted of:

		June 30, 2016		December 31, 2015	
	Fair Value Hierarchy Level[1]	Carrying Value	Fair value	Carrying Value	Fair value
Derivative Assets:					
Stream Prepayment Option	3	$ 5,169,288	$ 5,169,288	$ -	$ -
Derivative Liabilities:					
Stream Commodity Linked Repayment	3	$ 9,465,811	$9,465,811	$ -	$ -
Offtake Agreement Derivative	3	$ 25,677,199	$ 25,677,199	$ -	$ -
Warrants, Loan Fee	2	$ 761,803	$ 761,803	$ -	$ -
Warrants, Public Offering	2	$ 10,122,911	$ 10,122,911	$ -	$ -
Total		$46,027,724	$46,027,724	$ -	$ -

Equity increased $80.2 million during H1 2016 due to issuance of Ordinary Shares of $103.3 million (net of issuance costs), offset by the issuance of warrants valued at $8.7 million and comprehensive loss of $14.6 million.

Mineral Properties

Exploration and evaluation assets include the cost of mineral licenses as well as costs incurred directly in exploration and evaluation. The cumulative amount exploration and evaluation assets as of June 30, 2016 and December 31, 2015 were:

	Armenia Amulsar Gold Project	Georgia Kela Project	Total
As of December 31, 2015	$ 66,762,201	$ 434,950	$ 67,197,151
Additions	3,908,127	14,252	3,922,379
Exchange differences	983,343	9,655	992,998
Reclassification to development assets	(71,653,671)	-	(71,653,671)
As of June 30, 2016	$ -	$ 458,857	$ 458,857

On May 26, 2016, the board of directors formally approved the decision to begin construction at Amulsar. Previously capitalized exploration and evaluation costs were transferred to development assets and construction-related activities commenced.

The cumulative amount of development assets as of June 30, 2016 and December 31, 2015 were:

	Development Assets
Balance as of December 31, 2015	$ -
Reclassification from exploration and evaluation assets	71,653,671
Additions	4,109,293
Exchange differences	82,725
Balance as of June 30, 2016	$ 75,845,689

Expenditures for exploration and development at Amulsar were comprised of:

	For the six months ended June 30, 2016	2015
Project development[1]	$ 3,740,720	$ 2,191,744
Capitalized salaries	452,974	441,158
Consultants fees	148,961	8,310
Consumables, rents, maintenance, other	150,905	104,654
Drilling	121,477	-
Capitalized depreciation and amortization	353,122	361,092
Land rents	322,024	488,590
State duties and fees	20,617	21,153
Early works (irrigation pipeline and water channel)	504,804	-
Capitalised administrative costs	183,887	-
Capitalized interest	2,017,929	-
	$ 8,017,420	$ 3,616,701

[1]Project development expenditures incurred in 2016 for engineering design, construction management and early works, project planning and controls, commercial management, environmental studies and reports and other consulting.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the six months ended June 30, 2016	2015
Cash (used in) operations	$ (3,045,852)	$ (3,863,822)
Cash (used in) investing activities	(4,847,401)	(5,293,888)
Cash generated from financing activities, net	103,079,550	13,142,107
Increase (decrease) in cash and cash equivalents	95,186,297	3,984,397
Foreign exchange effect on cash	(98,258)	(4,928)
Cash and cash equivalents, beginning of period	28,553,813	9,448,339
Cash and cash equivalents, end of period	$ 123,641,852	$ 13,427,808

Cash (used in) operations during H1 2016 decreased in comparison to the same period in 2015. While actual operating activities were generally comparable between periods, cash expenditures in H1 2016 were less due to a net increase in accounts payable that had not been settled as of June 30, 2016.

Cash (used in) investing activities decreased $0.4 million over H1 2015. The decrease in H1 2016 is due to significant land acquisition costs incurred in the prior year of $3.5 million, partially offset by proceeds of $1.6 million from the maturity of a short term investment. Cash expenditures in H1 2016 for exploration, evaluation, and development costs increased by $1.0 million compared to the same period in 2015 due to the decision to begin construction related activities.

Cash from financing activities increased $89.9 million over the prior year primarily due to net proceeds from the financing activities of Q2 2016 associated with the Offering and Private Placements of $103.3 million, versus net proceeds from the public offering of $13.1 million that was completed in Q1 2015.

SUMMARY OF QUARTERLY RESULTS

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

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales	$ -	$ -	$ -	$ -
Net loss	$ (13,905,671)	$ (1,421,150)	$ (1,770,865)	$ (757,414)
Net loss per share (basic and diluted)	$ (0.04)	$ (0.01)	$ (0.01)	$ -

	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net sales	$ -	$ -	$ -	$ -
Net loss	$ (2,113,061)	$ (1,772,032)	$ (2,732,533)	$ (1,686,501)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)

The Corporation’s financial results are not significantly impacted by seasonality.

OUTSTANDING SHARE DATA

A summary of the Corporation's share capital is:

	As of August 10, 2016	As of June 30, 2016	As of December 31, 2015
Ordinary Shares	665,949,253	665,949,253	184,632,587
Warrants	104,187,500	104,187,500	-
Stock options	5,940,000	5,940,000	6,900,000
Restricted Stock Units	5,494,300	-	-

See Subsequent Events, below, for discussion of a subscription agreement entered into between the Corporation and the EBRD on August 4, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of June 30, 2016 was $121.4 million compared to $2.1 million as of December 31, 2015. This increase of $119.2 million resulted from:

- Gross proceeds from the Private Placements totaling $80.0 million;
- Gross proceeds from the Offering totaling $29.5 million;
- Derecognition of the $24.9 million current liability associated with advances under the Stream Agreement once the Corporation satisfied certain conditions under the terms of the Financing Transactions;
- Amulsar project expenditures totaling $4.4 million during the six month period ended June 30, 2016;
- Other expenditures of $10.0 million during the six month period ended June 30, 2016; and
- Other net reductions in working capital of $0.8 million associated with other current assets and liabilities.

Completing the Offering and Private Placements were important factors in the Corporation's decision to proceed with construction at Amulsar. This formal decision was effective May 26, 2016.

The current level of working capital is sufficient to advance all anticipated work programs into Q1 2017. However, funding from the balance of the financing plan discussed below will be necessary to meet all project financing requirements through completion of Amulsar's construction. Management estimates the Corporation will require funding of up to $420 million to complete Amulsar construction. This includes initial project costs of $370 million, additional contingency of $25 million in the form of the COF beyond the contingency included in initial project costs, and $25 million for financing and corporate expenses.

Management has completed or anticipates arranging the following sources of funds in connection with its financing plan:

	In Millions
Funded to date	
Initial deposit under the Stream Agreement	$ 25.0
Private Placements to RCF and Orion	80.0
Public offering	29.5
EBRD private placement [1]	8.5
Sub-total: Funded to date	$143.0

Other arranged Financing Transactions [2]	
Second deposit under the Stream Agreement	$ 35.0
Term Loan	160.0
COF [3]	25.0
Sub-total: Other arranged Financing Transactions	$220.0
In-process [4]	
Equipment financing (minimum)	$ 70.0
Sub-total: Funded to date	$ 70.0
Total financing plan	$433.0

[1] Use of proceeds from the EBRD private placement is limited to environmental and social mitigation measures. Management estimates such costs to be fully within the existing scope of the $370 million initial project capital.

[2] Future advances under the Stream Agreement, Term Loan, and COF are subject to satisfaction or waiver of applicable conditions. In addition, use of proceeds under the COF are limited to, if any, project cost overruns in excess of the $38 million contingency included as part of the initial capital cost estimate.

[3] Availability of funds under the COF are reduced by 50% of the amount of oversubscription to the Offering. Management estimates the adjusted availability under the COF to be $23.9 million as of June 30, 2016.

[4] The Corporation is advancing a number of opportunities to complete equipment financing in the range of $70 – 80 million. The key focuses and principal sources of security for this funding are anticipated to include the mining fleet, material handling equipment and other ancillary equipment and facilities. These components are at various stages of the credit approval process, however, no definitive credit agreements have been entered into at this time, and there can be no assurances that management will successfully implement this portion of its financing plan. Failure to secure equipment financing in an amount not less than $70 million may adversely affect the Corporation's ability to draw on funding from other arranged Financing Transactions. Furthermore, management anticipates that any advances under equipment financing agreements will be subject to satisfaction or waiver of certain conditions yet to be defined.

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

	Expiration Date	**Exercise Price**	**Warrants Outstanding**	**Gross Proceeds (In millions)**
Public Offering - Warrants	November 25, 2017	C$0.36	99,187,500	C$35,707,500
Loan Fee - Warrants	May 25, 2019	C$0.39	5,000,000	C$ 1,950,000

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

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

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

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

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

TAXES PAID IN ARMENIA

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

The following information is provided as part of an initiative by Publish What You Pay (a global civil society coalition) to achieve transparency of oil, gas and mining 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 June 30,		For the six months ended June 30,	
	2016 [(1)]	2015 [(1)]	2016 [(1)]	2015 [(1)]
State duty on mining and exploration license	$ -	$ (45)	$ 20,452	$ 21,179
Employee income tax	193,951	98,073	293,552	457,808
Land rent	151,084	189,640	306,097	472,357
Other taxes	69,854	12,699	71,322	425,972
Total	$ 414,889	$ 300,367	$ 691,423	$ 1,377,316

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

FINANCIAL AND OTHER INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, the rehabilitation prepayment, accounts payable and accrued liabilities, the stream liability, and derivative asset and liabilities. The fair values of financial instruments are directly impacted by the respective underlying variables of each instrument. Such variables include: Lydian's stock prices, stock price volatility, risk-free rates of return, the Company's credit-risk-premium, LIBOR rates, the availability of alternative financing, gold and silver price forward curves, gold and silver price volatilities, the timing of future production, the timing of draws upon financing facilities, the timing of repayments of financing facilities, expected future LIBOR rates, the timing of attainment of commercial production, the availability of excess cash flows from operations, and other factors.

The Corporation's exposure to changes in market interest rates relates to the Corporation's earned interest income on cash deposits and to future interest payments under the Term Loan, which will be subject to a variable 3-month LIBOR rate. The Corporation balances the requirements for liquidity with interest that may be earned on longer-term deposits. The carrying amount of accounts receivable, net of any provisions for losses, represents the Corporation's maximum exposure to the credit risk of others. A qualified exception to this is that the Corporation is dependent on drawing future committed loans from Orion and RCF, and therefore also indirectly subject to the credit risks of these financiers.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the six month period ended June 30, 2016 included:

- $60 million Stream Agreement, of which $25 million was drawn in December 2015;
- $160 million undrawn Term Loan, and issuance of 5,000,000 Loan Fee - Warrants on May 26, 2016;
- $25 million undrawn COF;
- Offtake Agreement associated with the Financing Transactions, calling for the sale of all gold from the Amulsar Project not delivered through the Streaming Agreement;
- $80 million Private Placements, which closed May 26, 2016;
- $29.5 million Offering, which released funds from escrow to the Corporation on May 26, 2016
- Newmont Royalty (off-balance sheet arrangement)

Off-Balance Sheet Arrangements

On April 23, 2010, the Corporation purchased from Newmont all of Newmont's interest in the former joint venture between the Corporation and Newmont known as the Caucasus Venture, including all of Newmont's interest in Amulsar. As partial consideration, the Corporation agreed to pay Newmont, following the start of commercial production at Amulsar, a 3% Net Smelter Royalty ("NSR"). However, at any time prior to the date that is 20 days following commencement of commercial production, the Corporation may at its option elect to buy out the 3% NSR and instead pay to Newmont the aggregate sum of $20 million, without interest, in 20 equal quarterly installments of $1 million commencing on the first day of the third calendar month following the start of commercial production. Furthermore, the Corporation has a one-time option prior to the commencement of commercial production to prepay these quarterly installments in a single cash payment using an annual discount rate of 10%. This equates to a single payment of approximately $15.7 million.

These potential post production payment(s) do not constitute an "obligation or a constructive obligation", as the triggering event of commercial production has not yet occurred and is not determinable at this time. Therefore, these potential payments are not accrued as a liability as of June 30, 2016.

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

COMMITMENTS

The Corporation and its subsidiaries lease office space for administrative and operational purposes. In 2011, the Corporation, through its subsidiary Geoteam, entered into long term rental contracts for lands under the planned rock allocation area, and other areas associated with planned mine development. Recently, these contracts were changed to reflect the current mine design and rock allocation area. Though these operating leases are cancelable, rental obligations are listed below:

	As of June 30, 2016
Less than one year	$ 786,584
One to five years	2,736,534
Greater than five years	6,399,188
	$ 9,922,306

In May 2016, Geoteam updated mining agreement signed with the Ministry of Energy and Natural Resources of Armenia. In accordance with the agreement, Geoteam paid a deposit to the Government of Armenia in the amount of AMD279.7 million, or $573,000, as a guarantee for post mining environmental rehabilitation and AMD38.1 million, or $78,000, for ongoing monitoring. The amounts paid represented 15% of the contractual obligation. The remainder of the rehabilitation guarantee will be paid in equal installments of AMD121.9 million, or $250,000, over 13 years commencing in 2016, and the ongoing monitoring will be paid in equal installments of AMD16.61 million, or $34,000, over 13 years commencing in 2016. In addition, Geoteam is committed to invest annually AMD61.0 million, or $125,000, after mine closure for workforce social mitigation and AMD61.5 million, or $126,000, for adjacent communities' social-economic development.

RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Group is Lydian International Limited. No individual party had overall control of the Corporation or Group during the periods being presented. Transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Related parties include the board of directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Compensation awarded to related parties for the periods indicated below was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
Salaries and other compensation	$ 240,179	$ 319,408	$ 863,557	$ 612,626
Share-based compensation	23,669	126,864	65,874	248,721
	$ 263,848	$ 446,272	$ 929,431	$ 861,347

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical Judgements and Accounting Estimates

Significant judgments made by management and applied in preparing these interim financial statements were consistent with those applied and disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2015. In addition, certain events and transactions occurring during the six month period ended June 30, 2016 required management to apply the following additional significant judgements:

Development assets – The Corporation made a decision to proceed with construction at Amulsar in May 2016. Upon making this decision, costs previously recorded as exploration and evaluation assets were reclassified to development assets. Evaluation of the recoverability of the Amulsar development assets was required at this time and will be done each reporting period thereafter. This recoverability assessment is dependent on a number of judgments. These include consideration of indications of impairment and, if necessary to proceed with an assessment, such factors as mineral reserves and recoverable mineral products, execution of the development plan as intended, sufficiency of estimated future cash flows from mining operations, potential proceeds from dispositions, maintenance and receipt of necessary authorizations, and adequacy of financing. The Group will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to continue development. These estimates generally rely on scientific and economic assumptions, which in some instances may not reflect actual outcomes and thereby affect the ultimate recoverability of the carrying value of development assets.

Functional currency –Amulsar is held by Geoteam CJSC ("Geoteam"), a member of the Group. Prior to the Corporation's construction decision for Amulsar, the Armenian Dram was designated as the functional currency for Geoteam. In management's judgment, underlying events that supported the construction decision provided sufficient indications that the primary economic environment in which Geoteam operates had changed. As such, the U.S. Dollar was determined to be Geoteam's functional currency. The primary factors assessed in making this determination included the currency of financings, future revenues and expenditures, and the currency in which cash and cash equivalents are held.

Stream liability – The Corporation entered into a stream agreement ("Stream Agreement") on November 30, 2015 and subsequently received an initial advance of cash. As set out in the audited consolidated financial statements for the year ended December 31, 2015, management treated the cash received as an advance, pending satisfaction or waiver of certain conditions. Such conditions were met in May 2016. As a result, it was management's judgment that advances under the Stream Agreement shall be accounted for as financing arrangement, best characterized as a financial liability. This determination was based predominantly on conditions of the Stream Agreement permitting cash settlements.

Fair value financial instruments – The Corporation entered into several financing agreements on November 30, 2015 that contained provisions giving rise to financial derivatives. Also, on May 26, 2016 the Corporation issued two forms of warrants, each representing financial derivatives. These derivatives are accounted for at fair value and marked to market each reporting period thereafter. In determining fair value, management judgement is required in respect of input variables of the financial model used for estimation purposes. These variables include such inputs as the Corporation's stock prices, stock price volatility, trading volumes of the Public Warrants, risk-free rates of return, the credit-risk-premium, LIBOR terms and associated rates, availability of alternative financing, gold and silver price forward curves, gold and silver price volatilities, timing of future production, timing of draws upon financing facilities, timing of repayments of financing facilities, expected future LIBOR rates, timing of achieving commercial production, availability of positive cash flows from operations, and other factors.

Accounting Policies

The accounting policies applied in preparing these unaudited condensed consolidation financial statements were based on the applicable IFRS and interpretations effective as at January 1, 2016. The accounting policies applied during the six month period ending June 30, 2016 are consistent with those accounting policies applied in the December 31, 2015 financial statements. However, certain changes in circumstances, significant transactions, and a new IFRS pronouncement have occurred since December 31, 2015. A summary of these matters and the application of the Corporation's accounting policies follows.

Effective May 26, 2016, the Corporation changed the functional currency of Geoteam from the Armenian Dram to the U.S. Dollar. This change was deemed appropriate as it became evident that Geoteam's underlying transactions, particularly capital spending and financing of Amulsar, are predominantly denominated in U.S. Dollars. No other Group entities were affected by this change in functional currency. This change in judgment has been accounted for prospectively in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates.

The Corporation classifies financing arrangements giving consideration to cash flow characteristics, contractual terms, and relevant business objectives. Financing agreements, such as the Stream Agreement, shall be classified as debt when all or a significant portion of the commitment can be settled in cash and, in management's judgment, other considerations are insufficient to support an alternative accounting method.

Derivatives, other than those deemed to be swaps, are accounted for at fair value on the inception date. Swap derivatives have a zero fair value at inception as the strike price of the underlying variable will be equal to the market price. After inception, all derivatives are adjusted to fair value as of the financial statement date, with the amount of the adjustment being recognized currently as a gain or loss in the statement of loss. Costs incurred to establish debt and equity arrangements are recorded as financing costs. Such costs include legal and accounting fees, fees from independent engineers, printing costs, investment banker or registration fees, agency fees, arrangement fees, and the fair value of derivatives resulting from such debt and equity arrangements. As a financing arrangement closes or debt is drawn, the associated costs are allocated to and reclassified against such debt or equity arrangement. Financing costs associated with debt are expensed over time as interest expense using the effective interest rate method. Should a financing effort be unsuccessful, allocable financing costs are charged immediately to expense.

The International Accounting Standards Board (IASB) published IFRS 9, Financial Instruments, in July 2014, effective for annual periods beginning on or after January 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement; and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model, and a substantially-reformed approach to hedge accounting. The treatment of financial liabilities was little changed relative to IAS 39. Having reviewed IFRS 9, Lydian believes it may not need to alter its accounting practices upon later adoption of this pronouncement.

DISCLOSURES AND INTERNAL CONTROLS

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures ("DC&P") to provide reasonable assurance that all relevant information required to be disclosed by the 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 COSO 2013 framework to design the Corporation's DC&P and ICFR as of June 30, 2016. 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 June 30, 2016 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. There have been no other significant changes in the Corporation's ICFR that occurred during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

RISK FACTORS AND PUBLIC SECURITIES FILINGS

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 most recent AIF and other filings available on SEDAR at www.sedar.com

SUBSEQUENT EVENTS

On August 4, 2016, the Corporation entered into a subscription agreement on a private placement basis ("Subscription Agreement") with the European Bank for Reconstruction and Development (the "EBRD"). Pursuant to the Subscription Agreement, the Corporation will issue 33,500,000 Ordinary Shares at a price of C$0.34 per share, for aggregate gross proceeds of C$11,390,000. Upon closing, the EBRD will hold 45,538,780 Ordinary Shares, representing approximately 6.5% of the then issued and outstanding Ordinary Shares of the Corporation. So long as the EBRD maintains at least 5% beneficial ownership of the Corporation, it will have a pre-emptive right on any future equity or equity-linked offerings and the right to nominate one director. Closing of the Private Placement is subject to customary terms and conditions.

GLOSSARY OF DEFINED TERMS

"*Additional Warrants*" means the 5,000,000 Ordinary Share purchase warrants of the Corporation issuable to Orion and RCF upon the first drawdown of the Cost Overrun Facility;

"*AIF*" means the annual information form of the Corporation dated March 30, 2016 for the year ended December 31, 2015;

"Amulsar" means the Amulsar Gold Project;

"BRSF" means barren rock storage facility;

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

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

"*Cost Overrun Facility*" or *"COF"* means the $25 million cost overrun facility;

"*Term Loan*" means the credit agreement dated November 30, 2015 among Geoteam CJSC, the Corporation, Orion and RCF, as amended;

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

"*Debt Financing Facilities*" means the Term Loan and Cost Overrun Facility;

"*EIA*" means the environmental impact assessment for the Amulsar Gold Project subject to approval by the Ministry of Nature Protection of Armenia;

"*Equator Principles*" means the Equator Principles – June 2013, developed by the Equator Principles Association, as amended, supplemented or superseded from time to time;

"*Equipment Facility*" means equipment financing by an equipment financier in a net amount of not less than US$70 million;

"*ESIA*" means the Environmental and Social Impact Assessment developed in 2014, as amended in 2016, for the Amulsar Gold Project to conform to the requirements of the 2012 International Finance Corporation Performance Standards and the 2008 European Bank for Reconstruction and Development Performance Requirements and other financial institutions that may be signatories to the Equator Principles;

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

"H1" means the first six months of 2016.

"*HLF*" means the proposed heap leach facility to be part of the processing facilities at the Amulsar Gold Project;

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

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

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

"*Investors*" means Orion and RCF;

"LALRP" means the land acquisition and livelihood restoration plan prepared in connection with the Corporation's land acquisition program;

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

"*MD&A*" means Management's discussion and analysis;

"*Mining Right*" means the mining right for the Amulsar Gold Project as approval by the Armenian Ministry of Energy and Natural Resources;

"*Newmont*" means Newmont Overseas Exploration Limited;

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

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

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

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

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

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

"*Q1 2016*" means the three month period ended March 31, 2016;

"*Q4 2015 Technical Report*" means the report titled "NI 43-101 Technical Report, Amulsar Value Engineering and Optimization, Armenia" dated November 20, 2015;

"*RCF*" means Resource Capital Fund VI L.P.;

"*SEC*" means the U.S. Securities and Exchange Commission;

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

"*Shareholders*" means the holders of Ordinary Shares;

"*Short Form Prospectus*" means the (final) short form prospectus of the Corporation dated March 11, 2016 with respect to the Offering;

"*Stream Agreement*" means the purchase and sale agreement dated November 20, 2015 among the Corporation, Geoteam CJSC, Orion and RCF, as amended;

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

"*Term Loan*" means the non-revolving term facility in the amount of $160 million;

"*TSX*" means the Toronto Stock Exchange;

"*Warrants*" means the Ordinary Share purchase warrants issued pursuant to the terms of the Subscription Receipts. Also described as Public Offering – Warrants.