



LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

September 30, 2016

Contents

Condensed Consolidated Statements of Financial Position	1
Condensed Consolidated Statements of Loss and Comprehensive Loss	2
Condensed Consolidated Statements of Cash Flows	3
Condensed Consolidated Statements of Changes in Equity	4
Notes to the Condensed Consolidated Financial Statements.....	5 - 22

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(expressed in US Dollars)

		As of	
	Notes	September 30, 2016	December 31, 2015
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 155,076,554	\$ 28,553,813
Other current assets	4	3,216,517	518,012
Total current assets		<u>158,293,071</u>	<u>29,071,825</u>
<i>Non-current assets</i>			
Property, plant and equipment, net	5	6,485,529	5,508,488
Development assets	7	85,000,959	-
Exploration and evaluation assets	6	482,214	67,197,151
Derivative asset	12	4,864,759	-
Financing costs	8	17,304,093	2,538,164
Other non-current assets	9	4,220,826	3,633,342
TOTAL ASSETS		<u>\$ 276,651,451</u>	<u>\$ 107,948,970</u>
LIABILITIES			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	10	\$ 4,396,059	\$ 2,010,337
Advances under stream agreement, net	11	-	24,925,588
Total current liabilities		<u>4,396,059</u>	<u>26,935,925</u>
<i>Non-current liabilities</i>			
Stream liability	11	57,989,916	-
Derivative liabilities	12	47,911,598	-
Provisions	13	343,518	338,498
Total liabilities		<u>110,641,091</u>	<u>27,274,423</u>
EQUITY			
Share capital	14	268,592,006	164,137,851
Employee share-based plan reserve		2,993,292	3,573,967
Translation of foreign operations		(18,529,406)	(19,265,294)
Accumulated deficit		(87,045,532)	(67,771,977)
Total equity		<u>166,010,360</u>	<u>80,674,547</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 276,651,451</u>	<u>\$ 107,948,970</u>

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)

(expressed in US Dollars)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2016	2015	2016	2015
Interest income		\$ 97,164	\$ 1,252	\$ 158,157	\$ 16,062
Total income		<u>97,164</u>	<u>1,252</u>	<u>158,157</u>	<u>16,062</u>
Employee salaries and benefits	16	797,468	736,015	2,575,838	2,391,743
General and administrative	17	833,902	727,539	2,420,369	2,169,514
Depreciation and amortization		27	18,996	36,797	61,962
Loss on financial instruments at fair value	12	2,188,403	-	14,833,730	-
Other (gains) losses, net	18	224,098	(723,884)	(435,022)	35,350
Total expenses		<u>4,043,898</u>	<u>758,666</u>	<u>19,431,712</u>	<u>4,658,569</u>
Loss before income taxes		(3,946,734)	(757,414)	(19,273,555)	(4,642,507)
Income taxes		-	-	-	-
Net loss		<u>\$ (3,946,734)</u>	<u>\$ (757,414)</u>	<u>\$ (19,273,555)</u>	<u>\$ (4,642,507)</u>
Net loss per share (basic and diluted)	19	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Other comprehensive loss:					
Net loss		\$ (3,946,734)	\$ (757,414)	\$ (19,273,555)	\$ (4,642,507)
Other comprehensive gain (loss):					
Exchange differences arising on translation of foreign operations		(3,293)	(195,611)	735,888	81,176
Total comprehensive loss		<u>\$ (3,950,027)</u>	<u>\$ (953,025)</u>	<u>\$ (18,537,667)</u>	<u>\$ (4,561,331)</u>

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(expressed in US Dollars)

	Notes	For the nine months ended September 30,	
		2016	2015
Cash flows from operating activities			
Loss for the period		\$ (19,273,555)	\$ (4,642,507)
<i>Adjustments for:</i>			
Depreciation and amortization	5	36,797	61,962
Loss (gain) on disposal of property, plant and equipment		5,609	-
Interest income		(158,157)	(16,062)
Loss on financial instruments at fair value	12	14,833,730	-
Share-based compensation	16	480,575	502,952
Operating loss before working capital changes		(4,075,001)	(4,093,655)
Change in other current assets		(867,233)	(1,083,226)
Change in accrued liabilities and other payables		(804,536)	(961,400)
Cash used in operations		(5,746,770)	(6,138,281)
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	(1,640,211)	(3,694,226)
Expenditures for exploration and development	6,7	(12,589,968)	(4,922,926)
Change in other non current assets		(509,528)	(19,313)
Proceeds from maturity of short term investments		-	1,600,000
Interest income received		158,157	16,062
Cash used in investing activities		(14,581,550)	(7,020,403)
Cash flows from financing activities			
Proceeds from stream agreement	11	35,000,000	-
Financing costs	8	(6,752,644)	(1,096,463)
Proceeds from issuance of share capital	14	118,346,559	14,238,570
Cash generated from financing activities		146,593,915	13,142,107
Net increase (decrease) in cash and cash equivalents		126,265,595	(16,577)
Foreign exchange effect on cash		257,146	233,427
Cash and cash equivalents, beginning of period		28,553,813	9,448,339
Cash and cash equivalents, end of the period		\$ 155,076,554	\$ 9,665,189

LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(expressed in US Dollars)

	Reserves					Accumulated deficit	Total
	Share capital	Share option plan reserve	Restricted stock plan reserve	unit	Translation of foreign operations		
Balance at January 1, 2015	\$ 150,199,754	\$ 3,755,312	\$ -	\$ -	\$ (17,847,360)	\$ (61,358,605)	\$ 74,749,101
Issue of new shares	14,238,570	-	-	-	-	-	14,238,570
Cost of share issue	(1,096,463)	-	-	-	-	-	(1,096,463)
Attributable to expired options	523,667	(523,667)	-	-	-	-	-
Share based compensation	-	502,952	-	-	-	-	502,952
Total comprehensive loss	-	-	-	-	81,176	(4,642,507)	(4,561,331)
Balance at September 30, 2015	\$ 163,865,528	\$ 3,734,597	\$ -	\$ -	\$ (17,766,184)	\$ (66,001,112)	\$ 83,832,829
Balance at January 1, 2016	\$ 164,137,851	\$ 3,573,967	\$ -	\$ -	\$ (19,265,294)	\$ (67,771,977)	\$ 80,674,547
Issue of new shares	118,346,559	-	-	-	-	-	118,346,559
Cost of share issue	(6,358,610)	-	-	-	-	-	(6,358,610)
Issue of warrants	(8,695,044)	-	-	-	-	-	(8,695,044)
Attributable to expired options	1,161,250	(1,161,250)	-	-	-	-	-
Share based compensation	-	191,488	389,087	-	-	-	580,575
Total comprehensive loss	-	-	-	-	735,888	(19,273,555)	(18,537,667)
Balance at September 30, 2016	\$ 268,592,006	\$ 2,604,205	\$ 389,087	\$ -	\$ (18,529,406)	\$ (87,045,532)	\$ 166,010,360

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

1. GENERAL INFORMATION

Lydian International Limited (the "Corporation") is a company continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of the Corporation is Suite 3, 5/6 Esplanade, St Helier, Jersey JE2 3QA Channel Islands. The Corporation has two securities listed on the Toronto Stock Exchange ("TSX"). Its ordinary shares ("Ordinary Shares") began trading under the symbol LYD on January 10, 2008, and certain warrants ("Public Warrants") began trading under the symbol LYD.WT on May 26, 2016.

The Corporation, together with its subsidiaries, is a gold development company, focusing on construction at its 100%-owned Amulsar Gold Project ("Amulsar"), located in south-central Armenia. Development at Amulsar is being conducted under the mining right issued by the Republic of Armenia in May 2016. The Corporation also has an exploration prospect in Georgia, which is held under exploration licenses granted by Georgian authorities.

In conducting development and exploration activities in Armenia and Georgia, the Corporation is subject to considerations and risks not typically associated with companies operating in Jersey, the United Kingdom, or Canada. These include but are not limited to risks such as political, economic and legal environments in emerging markets. The Corporation's results may be adversely affected by changes in political and social conditions and by changes in governmental policies with respect to mining laws and regulations, currency conversion, remittance abroad, rates and methods of taxation, and other factors.

These unaudited interim condensed consolidated financial statements ("interim financial statements") as of and for the three and nine month periods ended September 30, 2016 are comprised of the Corporation and its subsidiaries (together referred to as the "Group" and individually as "Group entity"). The Corporation is the ultimate parent.

2. BASIS OF PRESENTATION, CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION UNCERTAINTIES

These interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies applied to these interim financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2015 and have been supplemented for accounting policies applicable through September 30, 2016.

In applying the Group's accounting policies, management is required to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of certain assets, liabilities, equity, income and expenses in instances when valuation is not readily apparent from other sources. These judgments, estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements. However, interim results are not necessarily indicative of the results expected for the financial year, and actual annual results may differ from interim estimates.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

Critical judgments in applying the Group's accounting policies

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 nine month period ended September 30, 2016 required management to apply the following additional significant judgments:

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 Lydian Armenia CJSC, formerly Geoteam CJSC (“Lydian Armenia”), a member of the Group. Prior to the Corporation's construction decision for Amulsar, the Armenian Dram was designated as the functional currency for Lydian Armenia. In management's judgment, underlying events that supported the construction decision provided sufficient indications that the primary economic environment in which Lydian Armenia operates had changed. As such, the U.S. Dollar was determined to be Lydian Armenia's functional currency. The primary factors assessed in making this determination included the currency of financings, anticipated 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 a 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 judgment 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

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

facilities, expected future LIBOR rates, timing of achieving commercial production, availability of positive cash flows from operations, and other factors.

Key estimation uncertainties

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The application of the Corporation's accounting policy for assessing impairment of development assets and exploration and evaluation assets requires judgment. In completing impairment assessments, the Corporation utilized certain findings as reported in the National Instrument 43-101 Technical Report issued in November 2015. This included the amount and timing of cash flows, reflecting findings such as mineral resources, mineral reserves, recovery rates, capital costs, operating costs, and royalty and tax burdens. Management also estimated gold and silver prices for the impairment assessments. Each of these considerations and judgments applied by management in completing the impairment assessments represent key sources of estimation uncertainty.

Estimates of fair value associated with financial instruments involve significant judgment by management and use of financial modeling techniques.

3. ACCOUNTING POLICIES

Accounting Changes: Changes in Circumstances

Effective May 26, 2016, the Corporation changed the functional currency of Lydian Armenia from the Armenian Dram to the U.S. Dollar. This change was deemed appropriate as it became evident that Lydian Armenia'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*.

Effective January 1, 2015, the Corporation determined that a change to its functional currency was appropriate from the Canadian Dollar to the U.S. Dollar as it became evident that the underlying transactions and events are predominantly denominated in U.S. Dollars. This shift occurred as a greater percentage of expenditures for technical and administrative services are 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*.

New Accounting Policies

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 a financial liability 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.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

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 for 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 debt is drawn or a financing arrangement closes, 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.

Under the Corporation's Restricted Stock Unit Plan ("RSU Plan"), awards can be either cash or equity settled upon vesting at the discretion of the Board of Directors. As the Corporation does not have a present obligation to settle in cash, the awards were treated as equity-settled instruments and measured at fair value at the date of grant and recorded in equity. Compensation cost for the stock option and RSU plan is recorded in share-based compensation expense unless directly attributable to development assets.

New Pronouncements

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.

4. OTHER CURRENT ASSETS

	As of	
	September 30, 2016	December 31, 2015
Supplies	\$ 132,915	\$ 128,366
Refundable VAT	57,156	58,638
Deposits	97,996	110,467
Prepayments and receivables	2,928,450	220,541
	<u>\$ 3,216,517</u>	<u>\$ 518,012</u>

In connection with the start of construction activities during Q3 2016, prepayments were made for worker accommodations, engineering services and other local contractors requiring payment in advance for materials and supplies.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Machinery, equipment and vehicles	Land and fixtures	Office equipment and other	Total
Cost				
As of December 31, 2015	\$ 3,719,236	\$ 3,695,778	\$ 1,011,881	\$ 8,426,895
Additions	449,379	855,630	167,874	1,472,883
Disposal	(56,943)	(58)	(8,632)	(65,632)
Exchange differences	57,239	59,000	14,170	130,408
As of September 30, 2016	<u>\$ 4,168,911</u>	<u>\$ 4,610,350</u>	<u>\$ 1,185,293</u>	<u>\$ 9,964,553</u>
Accumulated Depreciation				
As of December 31, 2015	\$ 2,304,225	\$ 10,295	\$ 603,887	\$ 2,918,407
Additions	507,929	1,591	64,948	574,468
Disposal	(55,754)	-	-	(55,754)
Exchange differences	38,064	170	3,669	41,903
As of September 30, 2016	<u>\$ 2,794,464</u>	<u>\$ 12,056</u>	<u>\$ 672,504</u>	<u>\$ 3,479,024</u>
Carrying Amount				
As of December 31, 2015	<u>\$ 1,415,011</u>	<u>\$ 3,685,483</u>	<u>\$ 407,994</u>	<u>\$ 5,508,488</u>
As of September 30, 2016	<u>\$ 1,374,447</u>	<u>\$ 4,598,294</u>	<u>\$ 512,789</u>	<u>\$ 6,485,529</u>

Depreciation expense for the period presented was capitalized to the exploration and evaluation asset balance, with the exception of \$36,797 (2015: \$61,962) which was charged to net loss.

6. EXPLORATION AND EVALUATION ASSETS

During the period from January 1, 2016 through May 26, 2016, exploration and evaluation costs were incurred at Amulsar for project planning, building an owner's team, equipment reviews, contracting, environmental and social activities and reports, permitting, salaries, land acquisition, land and equipment rentals, and other related expenditures.

	Armenia Amulsar Gold	Georgia Kela Project	Total
As of December 31, 2015	\$ 66,762,201	\$ 434,950	\$ 67,197,151
Additions	3,908,127	35,187	3,943,314
Exchange differences	983,343	12,077	995,420
Reclassification to development assets	(71,653,671)	-	(71,653,671)
Balance as of September 30, 2016	<u>\$ -</u>	<u>\$ 482,214</u>	<u>\$ 482,214</u>

Additions to exploration and evaluation assets for the period through May 26, 2016 included non-cash charges for depreciation and interest totaling \$1,960,747.

Upon commencement of the development phase at Amulsar on May 26, 2016, the related capitalized exploration and evaluation assets of \$71,653,671 were reclassified to development assets.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

7. DEVELOPMENT ASSETS

Amulsar entered the development phase effective May 26, 2016 when conditions for its financing were met and the Corporation made a formal construction decision. As a result, previously capitalized exploration and evaluation assets of \$71,653,671 were reclassified to development assets. In the period between May 26, 2016 and September 30, 2016, additional development costs were incurred at Amulsar for project planning, detailed engineering and design, expanding its owner's team, equipment reviews, contracting, environmental and social activities and reports, permitting, salaries, land acquisition, land and equipment rentals, and other related expenditures. Additions to development assets for the period ended September 30, 2016 included non-cash charges for interest, depreciation and share-based compensation totaling \$3,002,450, \$535,228 and \$100,000 respectively.

	Development Assets
Balance as of December 31, 2015	\$ -
Reclassification from exploration and evaluation assets	71,653,671
Additions	13,264,563
Exchange differences	82,725
Balance as of September 30, 2016	<u>\$ 85,000,959</u>

An impairment analysis was conducted for Amulsar upon its entering of the development phase and the reclassification of the related exploration and evaluation assets. No impairment of the assets was deemed necessary.

8. FINANCING COSTS

	Financing Costs
Balance as of December 31, 2015	\$ 2,538,164
Additions	24,381,714
Reclassified to equity	(6,229,295)
Reclassified to stream liability	(3,386,490)
Balance as of September 30, 2016	<u>\$ 17,304,093</u>

9. OTHER NON-CURRENT ASSETS

	As of	
	September 30, 2016	December 31, 2015
Refundable VAT	\$ 4,037,082	\$ 3,453,125
Rehabilitation prepayments	183,744	180,217
	<u>\$ 4,220,826</u>	<u>\$ 3,633,342</u>

Input VAT will be refunded by the tax authorities or offset with other tax liabilities through future sales of product or services, predominantly gold export sales.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of	
	September 30, 2016	December 31, 2015
Accounts payable and accrued liabilities	\$ 4,150,090	\$ 1,876,332
Wage accruals	245,969	134,005
	<u>\$ 4,396,059</u>	<u>\$ 2,010,337</u>

11. FINANCING ARRANGEMENTS

On November 30, 2015, the Corporation entered into definitive financing agreements ("Agreements") with Orion Mine Finance ("Orion") and Resource Capital Funds ("RCF") to provide up to \$325 million in construction financing for Amulsar.

The Agreements include:

- \$60 million gold and silver purchase and sale agreement ("Stream Agreement");
- Credit agreement consisting of:
 - i) \$160 million term loan ("Term Loan"); and
 - ii) \$14 million cost overrun facility ("COF"), as amended;
- \$80 million equity private placements ("Private Placements"); and
- Gold-sales offtake agreement ("Offtake Agreement");

The Stream Agreement, Term Loan and COF shall be accounted for as liabilities and are discussed in this Note 11, Financing Arrangements. Derivative financial instruments resulting from the Agreements are discussed in Note 12, Financial Instruments. The Private Placements are discussed in Note 14, Share Capital.

Key provisions of the Stream Agreement include:

- \$60 million advanced in two deposits.
- Delivery obligations of 6.75% of gold production up to 2.1 million refined ounces and 100% of silver production up to 0.7 million refined ounces.
- Payment upon delivery to be the lower of prevailing market prices or \$400/oz for gold and \$4.00/oz for silver, each subject to escalation.
- The Corporation may elect to reduce metal deliveries by 50% on either the second or the third anniversaries of achieving commercial production by making a payment of \$55 million or \$50 million, respectively.
- Expiration is the earlier of the date (i) the aggregate stated gold and silver quantities have been delivered or (ii) 40 years.
- Security includes, among other things: guarantees of the Corporation and its subsidiaries, share pledges, and a mortgage over the assets and rights of the Corporation's Armenian operating subsidiary, Lydian Armenia.

The initial \$25 million deposit under the Stream Agreement was received in December 2015. At that time, the Agreements were subject to certain conditions that limited availability of additional funding under the Agreements. As such, the Corporation accounted for this initial advance as a current liability. Upon satisfaction of the conditions in May 2016, management derecognized the advance and replaced it with the

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

non-current stream liability. On September 30, 2016, the Corporation received the second deposit under the Stream Agreement in the amount of \$35 million. The table below summarizes activity of the advance and stream liability for the nine-month period ended September 30, 2016:

	Advances Under Stream Agreement	Stream Liability
Balance as of December 31, 2015	\$ 24,925,588	\$ -
Accrued interest	1,670,861	-
Subtotal	26,596,449	-
Derecognition / replacement as of May 26, 2016	(26,596,449)	23,452,086
Accrued Interest		1,331,589
Second deposit, received September 30, 2016	-	35,000,000
Financing costs	-	(1,793,759)
Balance as of September 30, 2016	\$ -	\$ 57,989,916

The effective interest rate on the stream liability is estimated at 14.7%. The difference between the derecognition and replacement values was credited to financing costs.

In addition to the stream liability, the provisions of the Stream Agreement resulted in the following derivatives:

- The Corporation's option to reduce metal deliveries by 50% represents a derivative asset ("Stream Prepayment Option"); and
- Gold and silver prices relative to the contractual prices payable upon delivery give rise to a derivative liability ("Stream Commodity Linked Repayment").

See Note 12, Financial Instruments, for additional information relating to these derivative financial instruments.

Key provisions of the Term Loan include:

- \$160 million to be advanced in two tranches.
- Interest based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin.
- Principal (including capitalized interest) will be paid through quarterly scheduled installments and a 30% cash sweep of excess cash flow beginning June 30, 2018 and continuing through maturity on September 30, 2021.
- Orion and RCF received an aggregate of 5 million ordinary share purchase warrants ("Loan Fee – Warrants") on May 26, 2016. The warrants have a three-year term and a strike price of C\$0.39 per share.
- Security will be identical to security for the Stream agreement, and will rank pari passu with the security for the stream obligations.

No amounts were advanced under the Term Loan as of September 30, 2016. See Note 21 for the amendment to the Term Loan Agreement.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

In addition, the Loan – Fee Warrants issued in connection with the Term Loan represent a financial instrument as discussed in Note 12, Financial Instruments.

Key provisions of the COF include:

- Availability of \$25 million, subsequently amended to \$14 million in October 2016.
- Interest based on the 3-month dollar LIBOR rate, subject to a minimum of 1%, plus a 9.5% margin.
- A cash sweep of 30% of excess cash flow will be used to repay the COF. Any remaining balance will be due in full on September 30, 2020.
- If the COF is drawn, Orion and RCF will receive an aggregate of 5 million ordinary share purchase warrants. If issued, the warrants will have a three-year term and a strike price equal to 130% of the volume weighted average closing price of the Corporation's ordinary shares during the 20 business days preceding initial drawdown of the COF.
- Security provided to secure the Term Loan will also secure obligations under the COF.

No amounts were advanced under the COF as of September 30, 2016. See Note 21 for an amendment to the COF.

The warrants associated with the COF will, if issued, represent a financial instrument. As of September 30, 2016 these warrants had not been issued.

Key provisions of the Offtake Agreement include:

- Applies to 100% of gold production up to 2.1 million refined ounces, less gold ounces deliverable under the Stream Agreement.
- Payment for refined gold shall be based on prevailing market prices during a three to six day quotational period following each delivery.
- The quotational period may be reduced subject to the fulfilment of certain milestones.

No deliveries were made under the Offtake Agreement during the nine month period ended September 30, 2016.

The Offtake Agreement is an executory contract with an embedded gold-price derivative associated with the quotational period, (“Offtake Agreement Derivative”). See Note 12, Financial Instruments, for additional information.

12. FINANCIAL INSTRUMENTS

The Corporation recognized certain financial instruments relating to the Agreements, including the advance under streaming agreement, streaming liability, and derivatives discussed in Note 11, Financial Liabilities. None of these financial instruments are held for trading, and the Corporation does not currently engage in hedge activities. The Agreements were executed in contemplation of one another and the cash flows and embedded derivatives were fair valued in consideration of all the agreements in combination to determine an effective yield on the date the agreements were considered effective.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

The advance under streaming agreement was initially recorded at fair value. The fair value of the stream liability was determined on the effective date of May 26, 2016. Thereafter, the stream liability was carried at amortized cost using the effective interest method. The table below sets out the fair value hierarchy levels, carrying values, and fair values of these financial instruments as of:

	Hierarchy Level ¹	September 30, 2016		December 31, 2015	
		Carrying Value	Fair value	Carrying Value	Fair value
Financial Liabilities:					
Advances under streaming agreement, net	1	\$ -	\$ -	\$ 24,925,588	\$ 25,000,000
Stream Liability, net of prepayment option	3	\$ 57,989,916	\$ 77,228,825	\$ -	\$ -

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values was adjusted to fair value as of the end of each reporting period. The table below sets out the fair value hierarchy levels, carrying values, and fair values of these financial instruments as of:

	Fair Value Hierarchy Level ¹	September 30, 2016		December 31, 2015	
		Carrying Value	Fair value	Carrying Value	Fair value
Derivative Assets:					
Stream Prepayment Option	3	\$ 4,864,759	\$ 4,864,759	\$ -	\$ -
Derivative Liabilities:					
Stream Commodity Linked Repayment	3	\$ 8,816,667	\$ 8,816,667	\$ -	\$ -
Offtake Agreement Derivative	3	\$ 26,493,796	\$ 26,493,796	\$ -	\$ -
Warrants, Loan Fee	2	\$ 895,323	\$ 895,323	\$ -	\$ -
Warrants, Public Offering	2	\$ 11,705,812	\$ 11,705,812	\$ -	\$ -
Total		\$ 47,911,598	\$ 47,911,598	\$ -	\$ -

¹ The levels of the fair value hierarchy are defined as:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable, directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

The following table presents the carrying value of the derivatives and gains and losses recognized:

Summary of Derivatives Assets/(Liabilities)	Derivative Asset	Derivative Liabilities				Statement of Loss
	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Warrants	Subtotal: Derivative Liabilities	Loss
Fair value as of May 26, 2016	\$ 3,068,790	\$ (21,921,971)	\$ -	\$ (9,359,928)	\$ (31,281,899)	
Change in fair value	1,795,969	(4,571,825)	(8,816,667)	(3,241,207)	\$ (16,629,699)	\$ 14,833,730
Recognized value as of September 30, 2016	\$ 4,864,759	\$ (26,493,796)	\$ (8,816,667)	\$ (12,601,135)	\$ (47,911,598)	
Impact upon Fair Value ² at September 30, 2016 of:						
10% change in gold price	\$ 231,253	\$ (2,575,078)	\$ (9,745,860)	N/A		\$ (12,089,684)
10% change in silver price	\$ 21,673	N/A	\$ (1,033,777)	N/A		\$ (1,012,104)
10% change in 3-month LIBOR rate	\$ 5,704	\$ 55,336	\$ 143,961	N/A		\$ 205,001

² The above impacts reflect an increase in market prices on the resulting value of the asset and liability, the opposite would occur if gold prices decreased.

Fair Value Measurement

Level 1 Fair Value Estimates

Fair value of the advance against Streaming Agreement was initially estimated using Level 1 criteria, which was the advance amount received by the Corporation. Fair value is measured on a non-recurring basis, and there have been no events or conditions requiring subsequent fair value adjustments.

Level 2 Fair Value Estimates

Fair value of the warrants was estimated using Level 2 criteria. The Corporation used a Black-Scholes option pricing model to estimate the fair value of warrants. This method was applied to the Public Offering - Warrants because, in management's opinion, trading volumes were insufficient to support use of the quoted market price. The warrants issued in connection with the Term Loan ("Loan Fee - Warrants") are not trading instruments, therefore, use of a pricing model was deemed appropriate. Inputs used for calculating fair value of the warrants included:

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

	Public Offering - Warrants		Loan Fee - Warrants	
	May 26, 2016	September 30, 2016	May 26, 2016	September 30, 2016
Warrants outstanding	99,187,500	99,187,500	5,000,000	5,000,000
Expected remaining life in years	1.50	1.17	3.00	2.42
Expected volatility	81.6%	79.2%	81.6%	83.0%
CAD Stock price per share on valuation date	\$0.35	\$0.44	\$0.35	\$0.44
CAD Exercise price	\$0.36	\$0.36	\$0.39	\$0.39
Risk free interest rate	0.76%	0.59%	1.03%	0.51%
USD / CAD Exchange rate	0.764	0.761	0.764	0.761
Expected dividend per share	\$Nil	\$Nil	\$Nil	\$Nil

Level 3 Fair Value Estimates

Fair value of the stream liability and derivatives other than the warrants were estimated using Level 3 criteria. The financial modeling technique applied to these estimates were more complex, require additional inputs such as estimated future production, simulated gold and silver prices, and other inputs based on non-observable market data. Key inputs for Level 3 fair value estimates included:

	As of May 26, 2016	As of September 30, 2016
Gold spot price per ounce	\$1,223.85	\$1,313.30
Silver spot price per ounce	\$16.46	\$19.14
Risk free interest rate	1.82%	1.54%
3-month LIBOR rate	0.674%	0.815%

The initial fair value of the stream liability, and of the value of the stream prepayment option, were based on a Monte Carlo Simulation of correlated spot gold, spot silver, proxy debt yields of mining companies. The other key inputs and assumption to the valuation include the risk free interest rate, production volumes consistent with the NI 43-101, gold and silver prices consistent with forward price curves, the availability of additional financing, and the volatility of gold and silver prices over a 3 year period.

The offtake agreement was valued using an option pricing model similar to Black-Scholes. The key inputs used include the gold price and volatility.

The stream commodity linked repayment is modeled as a swap. A swap has a zero fair value at inception because the strike price is equal to the market price. As market prices change, the fair value of the stream commodity linked repayment derivative will change.

13. PROVISIONS

The provision for restoration and rehabilitation represents the present value of estimated future outflows of economic benefits that will be required by the mining agreement signed between Lydian Armenia and the Republic of Armenia. The provision recognized as of September 30, 2016 and December 31, 2015 relates only

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

to rehabilitation of Amulsar areas affected by exploration activities as physical development of the mine has not commenced.

	<u>Provisions</u>
Balance as of December 31, 2015	\$ 338,498
Exchange difference	5,020
Balance as of September 30, 2016	<u>\$ 343,518</u>

14. SHARE CAPITAL

Share capital consists of one class of fully paid ordinary shares with no par value. The Corporation is authorized to issue an unlimited number of ordinary shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Corporation's shareholders' meetings.

	<u>Number</u>	<u>Value</u>
Shares outstanding, December 31, 2015	184,632,587	\$ 164,137,851
Shares issued for cash, net of issuance costs	514,816,666	111,987,949
Amount attributable to warrants	-	(8,695,044)
Amount attributable to expired options	-	1,161,250
Shares outstanding, September 30, 2016	<u>699,449,253</u>	<u>\$ 268,592,006</u>

Public Offering:

On March 17, 2016, the Corporation closed an offering of an aggregate of 115,000,000 subscription receipts in the capital of the Corporation, at a price of C\$0.29. In connection with this offering, the Corporation issued a further 17,250,000 Subscription Receipts pursuant to the over-allotment option granted to the underwriters which closed on March 23, 2016. Each Subscription Receipt entitled the holder thereof to receive, upon the satisfaction or waiver of the escrow release conditions without payment of additional consideration or further action, one ordinary share in the capital of the Corporation and three-quarters of one ordinary share purchase warrant of the of the Corporation. Each Warrant entitled the holder to purchase one ordinary share of the Corporation (each a "Warrant") at a price of C\$0.36 for a period of 18 months following their date of issuance. The gross proceeds of C\$38,352,500 (\$29,569,778) less 50% of the underwriters' fee of C\$1,054,694 (\$813,169), and all interest and other income thereon, were held by Computershare Trust Company of Canada until the satisfaction of the escrow release conditions.

On May 26, 2016, the Corporation met the escrow release conditions, and each of the Corporation's outstanding subscription receipts was exchanged for one Lydian ordinary share and three-quarters of one Warrant, as outlined above. An aggregate of 132,250,000 ordinary shares and 99,187,500 Warrants were issued. Gross proceeds of C\$38,352,500 were released to the Corporation. The Warrants began trading on the TSX under the ticker symbol "LYD.WT". In accordance with IFRS guidelines, the Warrants were recognized as a financial liability whereas the ordinary shares were recognized as share capital. The transfer of the estimated fair value of the Warrants from the stock proceeds to the liability is included in the table above. See Note 12 regarding Financial Instruments, inclusive of the Warrants.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

Private Placements:

On March 11, 2016, in connection with the Agreements (Note 11), the Corporation entered into subscription agreements with affiliates of RCF and Orion to effect the Private Placements at a price of C\$0.30 per ordinary share as follows: (1) \$55 million worth of ordinary shares to RCF; and (2) \$25 million worth of ordinary shares to Orion, in each case subject to the applicable exchange rate. The Private Placements closed and an aggregate of 349,066,666 ordinary shares on May 26, 2016 upon the satisfaction of the escrow release conditions under the offering. Gross proceeds of C\$104,720,000 (\$80,000,000) were released to the Corporation.

Concurrently with the closing of the Private Placements, the Corporation issued 5,000,000 Loan Fee - Warrants. Each Loan Fee - Warrant entitles the holder to purchase one ordinary share of the Corporation at a price of C\$0.39 for a period of 36 months from their date of issuance. These warrants were determined to be a financial liability and were recognized at fair value, with subsequent changes in fair value being recognized through profit and loss. (Note 12.)

Following completion of the Private Placements, Orion's affiliate held 109,083,333 ordinary shares and 4,391,892 Loan Fee - Warrants (together representing 16.9% of the issued and outstanding ordinary shares on a partially diluted basis) and RCF's affiliate held 243,183,333 ordinary shares and 608,108 Loan Fee - Warrants (together representing 36.6% of the issued and outstanding ordinary shares on a partially diluted basis), inclusive of 3,200,000 ordinary shares held by RCF prior to the Private Placements. The 3,200,000 ordinary shares held by RCF represented 1.7% of the issued and outstanding ordinary shares prior to the Private Placements and the exchange of the Corporation's outstanding subscription receipts. Each subscriber also received participation rights in any future equity or equity linked offerings by the Corporation, and the right to nominate one director so long as equity ownership remains above 10% and a second director so long as equity ownership exceeds 20%.

On August 15, 2016 the Corporation entered into a Subscription Agreement with the European Bank for Reconstruction and Development (the "EBRD Private Placement") for the purchase of ordinary shares of the Corporation. The Corporation issued an aggregate of 33,500,000 ordinary shares at a price of C\$0.34 (\$0.26) per share, for aggregate gross proceeds of C\$11,390,000 (\$8,803,048). Share issuance costs of \$129,315 were recorded.

Warrants:

Warrants outstanding include:

	Number of Warrants	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Yrs.)
Balance as of December 31, 2015	-	\$0.00	-
Warrants granted	104,187,500	\$0.36	1.23
Warrants exercised	-	\$0.00	-
Warrants expired	-	\$0.00	-
Balance as of September 30, 2016	104,187,500	\$0.36	1.23

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

15. SHARE-BASED COMPENSATION

The following table summarizes the outstanding share options granted under the employee share option plan for the nine months ended September 30, 2016.

	Number of Options	Weighted Average Exercise Price
Balance as of December 31, 2015	6,900,000	\$ 0.74
Granted	240,000	\$ 0.28
Expired	(1,350,000)	\$ 1.39
Balance as of September 30, 2016	5,790,000	\$ 0.63

Options granted were priced using the Black-Scholes option pricing model using the following assumptions as of September 30:

	<u>2016</u>
Expected Volatility	77%
Expected option life	5 years
Risk free rate	0.72%
Dividend yield	0%

The table below summarizes the outstanding and exercisable options:

Range of exercise	Outstanding options			Exercisable options		
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price
\$ 0-\$.76 CAD \$0 to \$1	3,500,000	3.39	\$ 0.48	1,940,003	3.21	\$ 0.53
\$.77-\$1.52 CAD \$1.01 - \$ 2	2,290,000	2.56	\$ 0.85	2,290,000	2.56	\$ 0.85
	5,790,000	3.06	\$ 0.63	4,230,003	2.86	\$ 0.71

On June 23, 2016 the shareholders approved the Corporation's RSU Plan. Under the RSU Plan, awards can be either cash or equity settled upon vesting at the discretion of the Board of Directors. As the Corporation does not have a present obligation to settle in cash, the awards were treated as equity-settled instruments and measured at fair value at the date of grant and recorded in equity. The associated compensation cost is recorded in share-based compensation expense unless directly attributable to development assets.

The following table summarizes the outstanding restricted share units granted under the employee RSU Plan for the nine months ended September 30, 2016.

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

	Number of RSU	Weighted Average Price
Balance as of December 31, 2015	-	\$ -
Granted	5,494,300	\$ 0.30
Expired	-	\$ 0.30
Balance as of September 30, 2016	5,494,300	\$ 0.30

16. EMPLOYEE SALARIES AND BENEFITS

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Salaries and other compensation	\$ 448,001	\$ 601,433	\$ 2,095,263	\$ 1,888,791
Share-based compensation	349,467	134,582	480,575	502,952
	<u>\$ 797,468</u>	<u>\$ 736,015</u>	<u>\$ 2,575,838</u>	<u>\$ 2,391,743</u>

17. GENERAL AND ADMINISTRATIVE

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Travel	\$ 222,911	\$ 202,122	\$ 530,380	\$ 501,697
Legal, accounting and audit	299,215	132,887	796,862	465,715
Office operating	40,772	58,236	158,825	166,858
Community development	-	51,706	40,922	105,387
Advisory fees	86,568	(7,548)	317,890	215,824
Insurance	31,721	41,075	102,150	107,956
Investor and public relations	110,086	27,786	233,162	121,207
Consulting and contractors	42,069	107,110	101,606	145,551
Contributions	-	15,125	27,010	80,539
Other	560	99,040	111,562	258,780
	<u>\$ 833,902</u>	<u>\$ 727,539</u>	<u>\$ 2,420,369</u>	<u>\$ 2,169,514</u>

18. OTHER (GAINS) LOSSES, NET

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Foreign currency (gain) loss	\$ 260,655	\$ 245,204	\$ (400,478)	\$ 61,249
Other (gains) losses, net	(36,557)	(969,088)	(34,544)	(25,899)
	<u>\$ 224,098</u>	<u>\$ (723,884)</u>	<u>\$ (435,022)</u>	<u>\$ 35,350</u>

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

19. NET LOSS PER SHARE

Weighted average shares outstanding are as follows for the periods ended:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Net loss	\$ (3,946,734)	\$ (757,414)	\$ (19,273,555)	\$ (4,642,507)
Weighted average shares outstanding	682,699,253	184,632,587	413,348,706	180,142,737
Net loss per share	\$ (0.01)	\$ (0.00)	\$ (0.05)	\$ (0.03)

As a result of the losses incurred during the three month and nine month periods ended September 30, 2016 and 2015, the potential shares to be issued from the exercise of options and the Offering are not included in the computation of diluted per share amounts since the result would be anti-dilutive. Accordingly, the diluted loss per share and the basic loss per share for the periods presented are the same.

20. 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 to related parties for the periods indicated below was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Salaries and other compensation	\$ 340,905	\$ 274,342	\$ 1,219,941	\$ 886,968
Share-based compensation	249,915	76,913	315,789	325,634
	\$ 590,820	\$ 351,255	\$ 1,535,730	\$ 1,212,602

21. COMMITMENTS

The Group leases office space for administrative and operational purposes. In 2011, Lydian Armenia entered into long term rental contracts for lands under the rock allocation area and other areas associated with planned mine development. Though these operating leases are cancelable, rental obligations are listed below:

LYDIAN INTERNATIONAL LIMITED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine month period ended September 30, 2016

(expressed in US Dollars, unless otherwise stated)

	As of September 30, 2016
Less than one year	\$ 2,026,744
One to five years	5,811,414
Greater than five years	6,775,562
	<u>\$ 14,613,720</u>

22. SUBSEQUENT EVENTS

These unaudited interim condensed consolidated financial statements were approved for issue by the Board of Directors on November 14, 2016 and subsequent events have been reviewed through the date of approval.

On October 21, 2016, the Corporation entered into an amendment to the Term Loan. The amendment, among other things, aligns the availability periods under the Term Loan with the Amulsar cash flow requirements. The initial \$50 million tranche has been extended to June 30, 2017 and the second \$110 million tranche has been extended to March 31, 2018. Funding under each tranche of the term loan is subject to applicable conditions precedent, including satisfaction of the conditions of the initial tranche by December, 31, 2016. As part of the transaction, the COF was amended to \$14 million.