LYDIAN INTERNATIONAL LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

MAY 13, 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 month period ended March 31, 2016, dated May 13, 2016 ("Q1 2016"). This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements and the notes thereto as of March 31, 2016 and for the three month period ended March 31, 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 Offering, the equipment financing and the Financing Transactions; the release of the proceeds of the Offering; 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, including shareholder approval of the Private Placements; 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 finalization of the Amulsar Gold Project ESIA and receipt of permits; the anticipated timing for the finalization of the amendments to Mining Permit SHATV-29/245, the Mining Right and the Environmental Impact Assessment; 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 the escrow release conditions under the Offering;
- 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, the Offering and the Private Placements; 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 an emerging gold developer, focusing on its 100% owned Amulsar Gold Project (the “Amulsar Gold Project” or “Amulsar”). Amulsar is a compelling opportunity for a large scale, low cost operation utilizing open pit mining and conventional heap leach processing. It will be Armenia’s largest gold mine, with estimated mineral resources containing 3 million measured and indicated ounces and 2 million inferred ounces. Gold production is targeted to average 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.

Q1 2016 HIGHLIGHTS

Lydian continues preparatory activities necessary to move Amulsar toward development and commencement of construction. To this end, a number of important achievements have been completed since December 31, 2015, including:

- Closing of a $28.8 million public offering of Subscription Receipts;
- Entering into Private Placement Subscription Agreements for a total of $80 million;
- Advancing toward approval of the amended Mining Right by the Republic of Armenia, including approval of the EIA and mine design during April 2016;
- Drafting amendments to the ESIA and preparing for disclosure and public consultation during Q2 2016;
- Substantial completion of Phases 1 and 2 of the land acquisition program, and initiation of Phase 3 and 4;
- Planning for a detailed drilling program to commence this summer at Amulsar;
- Continuation of ongoing environmental and social programs, along with planning for 2016 field work;
- Planning and scoping for basic engineering, initially focusing on the HLF, access and haul roads, and infrastructure;
- Beginning the process of changing land status from agricultural to industrial use; and
- Other pre-construction work activities required before full-scale construction can commence this summer.

Additional details relating to these highlights are presented below in the section "RECENT DEVELOPMENTS".

EQUITY FINANCINGS SUMMARY

Continuation of project activities is dependent upon completing the conditions precedent to the $325 million Financing Transactions arranged in Q4 2015, which among others includes securing aggregate gross proceeds of not less than $25 million from a public offering, arranging equipment financing for not less than $70 million, and receiving a favorable vote from existing Shareholders in respect of the $80 million equity Private Placements. With regard to the condition precedent to raise not less than $25 million from a public offering, the Corporation closed the Offering of an aggregate of 115,000,000 subscription receipts in the capital of the Corporation at a price of C$0.29 per subscription receipt on March 17, 2016. In connection with the Offering, the Company issued a further 17,250,000 Subscription Receipts pursuant to the over-allotment option granted to the underwriters which closed on March 23, 2016. Each Subscription Receipt entitles 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 full Warrant will entitle the holder to purchase one ordinary share of the Corporation 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 as of March 31, 2016) less 50% of the underwriters' fee of C$1,054,694 ($813,169), and all interest and other income thereon, are held by Computershare Trust Company of Canada until the satisfaction of the escrow release conditions. The net proceeds are shown as funds held in escrow of C$37,297,806 ($28,756,609 as of March 31, 2016) until the restriction is released. In the event approvals and the escrow release conditions are not satisfied on May 18, 2016, holders of the subscription receipts will be entitled to a full return of their purchase price ("Gross proceeds") together with their pro rata portion of interest earned or deemed to be earned on the escrowed proceeds, net of any applicable withholding taxes, and the subscription receipts will be cancelled. The subscription receipts meet the definition of a financial liability and are therefore recognized in the financial statements as of March 31, 2016.

On March 11, 2016, in connection with the Financing Transactions, the Corporation entered into Subscription Agreements with each of the Investors to effect the Private Placements at a price of C$0.30 per Ordinary Share to the Investors 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 number of Ordinary Shares to be issued to subscribers will be determined based on the Bank of Canada CAD/USD noon exchange rate on the business day prior to the date of the closing of the Private Placements. Concurrently with the closing of the Private Placements, the Corporation will issue Orion and RCF an aggregate of 5,000,000 Initial Warrants in connection with the Term Facility. Each Initial Warrant will entitle the holder to purchase one ordinary share of the Corporation at a price of C$0.39 for a period of 36 months from their date of issuance. The Private Placements are expected to close upon the satisfaction of the escrow release conditions under the Offering and will be recognized on the closing of the Private Placements.

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

RECENT DEVELOPMENTS

Financing – The Corporation completed a number of important financing-related milestones since announcing the $325 million Financing Transactions in December 2015. Importantly, the Corporation closed the Offering of Subscription Receipts during March 2016 as discussed above. Gross proceeds were $28.8 million, including full exercise of the underwriters' overallotment option. Proceeds of this offering are expected to be released from escrow to the Corporation following receipt of a favorable vote from existing Shareholders at an extraordinary general meeting scheduled for May 18, 2016 and upon satisfaction of certain additional escrow release conditions. Concurrent with release of the public offering proceeds, the Private Placements also entered into during March 2016 are expected to fund gross proceeds of $80 million to the Corporation. Management is targeting receipt of funding from the Offering and Private Placements during Q2 2016. In addition to advancing these equity financings, Management has been progressing toward satisfying certain additional conditions necessary to receive the $35 million second advance under the Stream Agreement including securing mandates for $70 – 80 million of equipment financing. Funding under the Stream Agreement and equipment financing mandates are also expected during Q2 2016.

Government Approvals and Construction-Related Permits – The Q4 2015 Technical Report outlined modifications to the general lay-out of the Amulsar Gold Project that necessitate amendments to the Armenian Mining Right, EIA and other documents. The approval process is essentially the same as the process successfully completed by the Corporation during 2014. Since re-initiating this process in late 2015, the Corporation has completed all required public consultation in the surrounding communities. These consultations are an integral prerequisite to receiving approvals from the Republic of Armenia. In April, the EIA was approved by the Ministry of Nature Protection and the Amulsar mine design Technical Safety was approved by the Ministry of Emergency Situations. The application has now reverted to the Ministry of Energy and Natural Resources for final review and approval of the Mining Right.

ESIA Amendment –The ESIA is being amended for similar reasons as the Mining Right and EIA. This document is a required communication by international mining standards as a means to convey the Corporation's environmental and social undertakings at Amulsar. The amendments to the ESIA are in substantially final form, pending completion of one additional study that was undertaken during Q1 2016. Management expects to complete the amended ESIA draft and initiate the required public disclosure later in Q2 2016. Following the disclosure period, any final adjustments will be incorporated and the final version will be disclosed.

Land Acquisition – Land acquisition for private land parcels within the footprint of the HLF and other plant facilities (Phases 1 and 2) is 98% complete; four remaining parcels are subject to customary expropriation procedures. The four cases are with the Ministry of Territorial Administration and Development Ministry and are progressing through the process within Management's expectations. Activities to acquire additional land parcels along the overland conveyor corridor and mine access roads (Phases 3 and 4) are in progress, following disclosure of the LALRP during Q1 2016. Negotiations are complete with greater than 80% of the land owners and contracts have been signed with 59%. Also, Management has commenced the process to convert acquired lands from their present designation for agricultural use to industrial use.

Drilling – Planning was completed for a drilling program to be carried out at Amulsar this summer. The objectives of the program will be to target conversion of inferred mineral resources that are within the currently designed pit boundaries and increase drill density for mine planning purposes.

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 will increase during late spring and summer. New programs to investigate possible biodiversity offset areas, perform archeological surveys, and complete local health-related baseline studies are planned.

Engineering – Basic engineering packages have been formulated and quoted; awards will be made in Q2 2016.

Construction – Initiating construction is expected this summer once key milestones of the preceding pre-construction related work programs have been completed. Prior to starting facilities construction, Management will also focus on a number of pre-construction activities such as temporary facilities, infrastructure, and site access. Pre-construction activities to relocate an irrigation pipeline from the HLF commenced in April.

BUSINESS OVERVIEW

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

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

The Corporation's strategy is to implement mine development and construction plans for the Amulsar Gold Project as described in the Q4 2015 Technical Report and to transition to a gold producer. To this end, the Corporation is focused on completing its project financing plans and advance other project activities needed prior to commencing construction as planned for this summer.

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

Results of Operations

	For the three months ended March 31,	
	2016	2015
Interest income	$ 1,869	$ 10,379
Total expenses	1,423,019	1,782,411
Net loss	(1,421,150)	(1,772,032)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.01)

During the quarters ended March 31, 2016 and 2015, the Corporation had no revenues other than interest income from bank deposits.

For the quarter ended March 31, 2016, the Corporation recorded a net loss of $1.5 million ($0.01 per share) compared to $1.8 million ($0.01 per share) during the corresponding period in 2015, a reduction of 18%. The reduction in net loss for the quarter ended March 31, 2016 is due primarily to lower share-based compensation expense in 2016 and a foreign currency gain in 2016 versus a loss in 2015. Share based compensation decreased $0.1 million compared to 2015 as the number of vesting options declined. General and administrative costs remained flat period over period. The Corporation experienced a $0.3 million improvement in foreign currency exchange as the dollar strengthened against the Canadian Dollar, and Armenian Dram.

There was no income tax expense for the quarters ended March 31, 2016 and 2015.

There were no extraordinary transactions or significant end of reporting period adjustments during the quarter ended March 31, 2016.

Summary of Balance Sheet Data

The following table summarises the Corporation's financial position:

	As of	
	March 31, 2016	December 31, 2015
Cash and cash equivalents	$ 24,957,473	$ 28,553,813
Other current assets, including funds held in escrow	29,243,826	518,012
Property plant & equipment, net	5,418,460	5,508,488
Exploration and evaluation asset	70,354,826	67,197,151
Other non-current assets	7,822,283	6,171,506
Total Assets	$ 137,796,868	$ 107,948,970
Current liabilities	$ 57,798,954	$ 26,935,925
Non-current liabilities	340,581	338,498
Total Equity	79,657,333	80,674,547
Total Liabilities and Equity	$ 137,796,868	$ 107,948,970

During the quarter ended March 31, 2106 cash and cash equivalents decreased by $3.6 million or 13% from year end due primarily to $1.2 million for recurring operational expenses, $1.6 million for expenditures related for furthering the Amulsar Gold Project, $0.6 million for financing related expenditures, and a $0.2 million effect of foreign exchange on cash balances.

The Corporation's other current assets increased $28.7 million for cash held in escrow related to the issuance of the subscription receipts.

During the quarter ended March 31, 2016, the net balance in property, plant and equipment decreased by $0.1 million as a result of $0.2 million of depreciation (reduction), offset by an increase of $0.1 million for acquiring surface rights.

The Corporation's exploration and evaluation assets increased by $3.2 million (net) during the quarter ended March 31, 2016. During Q1 2016 additions of $2.7 million were recorded. Additionally, a $0.5 million non-cash foreign currency translation gain was recorded to reflect a minor strengthening of the Armenian Dram and Georgian Lara against the U.S. Dollar. This foreign currency translation gain was recorded directly to other comprehensive gain.

Other non-current assets increased during Q1 2016 primarily due to $1.6 million of finance costs incurred in connection the Offering and Private Placements.

The increase in current liabilities during Q1 2016 is primarily due to recording the subscription receipts of $29.6 million, accruing interest on the $25 million first advance under the Stream Agreement and an increase in general payables associated primarily with financing costs.

Exploration and evaluation assets

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

Project	As of March 31, 2016	As of December 31, 2015
Amulsar Gold Project - Armenia	$ 69,914,917	$ 66,762,201
Kela Project – Georgia	439,909	434,950
Total	$ 70,354,826	$ 67,197,151

The change in exploration and evaluation assets for the quarter ended March 31, 2016 was comprised of:

	For the three months ended March 31, 2016
Project development(1)	$ 1,005,403
Capitalized interest	973,913
Capitalized salaries	230,541
Capitalized depreciation and amortization	175,381
Land rents	159,103
Consultants fees	94,091
Consumables, rents, maintenance, other	37,054
State duties and fees	20,452
Subtotal	2,695,938
Effect of foreign exchange	461,737
Total	$ 3,157,675

(1)Project development expenditures incurred for engineering design, feasibility study preparation, project planning, environmental studies and reports and other consulting.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the three months ended March 31, 2016	2015
Cash (used in) operations	$ (1,195,552)	$ (1,902,204)
Cash (used in) investing activities	(1,663,641)	(1,675,439)
Cash generated from (used in) financing activities	(588,582)	13,168,213
Increase (decrease) in cash and cash equivalents	(3,447,775)	9,590,570
Foreign exchange effect on cash	(148,565)	(20,938)
Cash and cash equivalents, beginning of period	28,553,813	9,448,339
Cash and cash equivalents, end of period	$ 24,957,473	$ 19,017,971

Cash (used in) operations during Q1 2016 decreased in comparison to the same period in the prior year by $0.7 million. This was due to a $0.3 million improvement in foreign currency gain in 2016 and a $0.4 million variance in change in accrued liabilities and other payables.

Cash (used in) investing activities was consistent when compared to the same quarter in the prior year; however, Q1 2016 expenditures for exploration and evaluation assets have transitioned to project planning activities as Amulsar progresses toward development.

Cash generated by (used in) financing activities decreased $13.7 million over the prior year as proceeds from the financing activities of Q1 2016 associated with the Offering and Private placements are contingent upon the Shareholder vote in May 2016 and satisfaction or waiver of certain other conditions. As such, proceeds from the Offering and Private Placements are not reflected in the financial statements. Costs associated with the financings are included as non-current assets.

SUMMARY OF QUARTERLY RESULTS

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

	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net sales	$ -	$ -	$ -	$ -
Net loss	$ (1,421,150)	$ (1,770,865)	$ (757,414)	$ (2,113,061)
Net loss per share (basic and diluted)	$ (0.01)	$ (0.01)	$ -	$ (0.01)

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

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 May 11, 2016	As of March 31, 2016	As of December 31, 2015
Ordinary Shares	184,632,587	184,632,587	184,632,587
Subscription Receipts	132,250,000	132,250,000	-
Stock options	5,700,000	6,410,000	6,900,000

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of March 31, 2016 was $(3.6) million compared to $2.1 million as of December 31, 2015. This decrease in working capital was primarily the result of expenditures at Amulsar and corporate expenses. The working capital position includes a current liability of $25.9 million for the advance under the Stream Agreement received in December 2015 and related accrued interest payable. Upon satisfactory completion of certain conditions under the terms of the Financing Transactions, Management expects to reclassify the stream obligation to non-current liabilities and reverse the accrued interest as it will no longer apply. Therefore, the Corporation's principal source of liquidity as of March 31, 2016 was $22.6 million, representing cash on hand less accounts payable and accrued liabilities. As discussed in the 2016 Outlook, this level of funding is sufficient to continue a number of work programs during H1 2016, but will not meet all project financing requirements for 2016 and through to the completion of Amulsar construction.

The Financing of $325 million arranged in Q4 2015, which will provide approximately 75% of the estimated Amulsar financing requirements, is key to advancing Amulsar. The Financing is structured to provide funding as needed throughout the course of construction upon achievement of certain milestones and satisfaction of associated conditions of the Financing Transactions. An initial advance under the Stream Agreement of $25 million was received in December 2015. The remaining balance of these funds are the Corporation's primary source of funding for pre-construction activities occurring during H1 2016. To proceed with construction, the next phase of funding will be required.

The Corporation will be able to commit to a formal production decision upon receipt of the next phase of funding. This funding is expected during Q2 2016 and is to include $29.6 million from the Offering (less fees to Underwriters of $1.6 million) and $80 million from the Private Placements. Receipt of these funds is subject to satisfactory completion or waiver of a number of conditions. Importantly, among these conditions are the requirements to receive approval of the Private Placements by a majority of the Corporation's existing Shareholders, to establish equipment financing mandates for at least $70 million and to continue to be on-plan in respect of construction. While not necessary for the Corporation to make a formal production decision to proceed, Management is also seeking to complete the conditions necessary to receive the $35 million second advance under the Stream Agreement during Q2 2016.

With the Corporation's current treasury plus the $143 million of equity and stream funding described above, Amulsar's construction spending will be fully funded through the balance of 2016. Thereafter, Management anticipates that the balance of the project costs will be funded from the $160 million Term Facility and $70 – 80 million of equipment financing. Furthermore, a $25 million cost overrun facility is part of the Financing Transactions and will be available, subject to satisfaction or waiver of applicable conditions, in the event of project cost overruns in excess of the contingency amounts included in the capital cost estimate.

As described above, the remaining financing requirement relates to project equipment. Management is seeking to arrange $70 - 80 million for this purpose. The key focuses and principle sources of security for this funding are anticipated to include the mining fleet, material handling equipment and other ancillary equipment and facilities.

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 through the Financing, Offering and equipment financing, such sources may be insufficient. This may 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 Offering, draw upon such sources when needed, and meet other obligations of the Corporation when due is uncertain. The Corporation will be required to substantially curtail or defer most activities if financing cannot be secured and drawn as needed.

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

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

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

TAXES PAID IN ARMENIA

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 March31,	
	2016 [(1)]	2015 [(1)]
State duty on mining and exploration license	$ 20,452	$ 21,048
Employee income tax	99,601	128,044
Land rent	155,013	241,013
Other taxes	1,468	9,606
Total	$ 276,534	$ 399,711

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

FINANCIAL AND OTHER INSTRUMENTS

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

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF BALANCE SHEET ARRANGEMENTS

Significant contracts existing as of March 31, 2016 are described below:

The Financing commitments consist of a:

- $60 million gold and silver Stream Agreement;
- $80 million equity Private Placements;
- $160 million Term Facility;
- $25 million cost overrun facility;
- An offtake agreement associated with the Financing Transactions;
- Subscription and escrow agreements pertaining to the Offering; and
- Newmont Royalty (off-balance sheet arrangement)

The total financing requirement to fund construction of Amulsar is estimated to be $395 million, consisting of initial capital costs of $370 million plus an estimated $25 million for financing and other construction-period costs. The Financing Transactions (not including the cost overrun facility), along with an anticipated equipment financing of $70 - 80 million and the Offering, is expected to substantially finance construction of Amulsar. The cost overrun facility of $25 million is also provided in the event costs exceed the initial capital cost estimate. Funding under the Financing Transactions will occur in various stages and is subject to applicable conditions precedent. An initial $25 million advance under the Stream Agreement was provided to the Corporation during December 2015. For further details on the Financing Transaction, see the Annual Financial Statements as of and for the year ended December 31, 2015.

Newmont Transaction

On April 23, 2010, the Corporation purchased from Newmont all of Newmont's interest in the former joint venture between the Corporation and Newmont known as the Caucasus Venture, including all of Newmont's interest in the Amulsar Gold Project in Armenia. The consideration was a mixture of committed and contingent payments. The committed payments included issuance and three payments of $5 million, of which: the first was paid in 2010; the second was due on December 31, 2011 and paid on March 13, 2012, together with interest owing thereon; and the third was due on December 31, 2012 and paid on October 25, 2013, together with interest in the amount $409,669 of that was owing thereon. In addition, the Corporation agreed to pay Newmont, following the start of commercial production at the Amulsar Gold Project, a 3% Net Smelter Royalty (NSR). However, at any time prior to the date that is 20 days following commencement of commercial production, the Corporation may at its option elect to buy out the 3% NSR and instead pay to Newmont the aggregate sum of $20 million, without interest, in 20 equal quarterly installments of $1 million commencing on the first day of the third calendar month following the start of commercial production. Furthermore, the Corporation has a one-time option prior to the commencement of commercial production to prepay these quarterly installments in a single cash payment using an annual discount rate of 10%. This equates to a single payment of approximately $15.7 million.

These potential post production payment(s) do not constitute an "obligation or a constructive obligation", as the triggering event of commercial production has not yet occurred and is not determinable at this time. Therefore, these potential payments are not accrued as liabilities in the Consolidated Statement of Financial Condition.

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

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 March 31, 2016
Less than one year	$ 757,482
One year up to and including five years	2,675,977
Greater than five years	6,507,161
	$ 9,940,621

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

RELATED PARTY TRANSACTIONS

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

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

	For the three months ended March 31, 2016	2015
Salaries and other compensation	$ 357,837	$ 293,218
Share-based compensation	37,335	121,857
	$ 395,172	$ 415,075

There were no share based awards issued to key Management during Q1 2016.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical judgments in applying the Corporation's accounting policies

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

In particular, Management is required to assess exploration and evaluation assets for impairment. Note 6 discloses the carrying values of such assets. As part of this assessment, Management must make an assessment as to whether there are indicators of impairment. If there are indicators, Management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Group can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the availability of the Group to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Group will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. The functional currency of the subsidiaries through which the Corporation conducts its operations varies depending upon the primary economic environment in which they operate. Management exercises judgement in determining the appropriateness of its functional currency. The primary factors assessed in determining functional currency include the currency of revenues, expenditures and inter-company arrangements as well as the currency in which cash and cash equivalents are held.

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

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

Changes in accounting policies

The accounting policies applied in preparing the unaudited condensed consolidation financial statements were based on the applicable IFRS and interpretations effective as at January 1, 2016. There have been no changes from the accounting policies applied in the December31, 2015 financial statements.

DISCLOSURES AND INTERNAL CONTROLS

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (“DC&P”) to provide reasonable assurance that all relevant information required to be disclosed by the Corporation is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. Management is also responsible for the design of internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation’s Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 framework to design the Corporation’s DC&P and ICFR as of March 31, 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 March 31, 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 March 31, 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 the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates are based on careful judgments and have been properly reflected in the Corporation’s consolidated financial statements.

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

INFORMATION ON INCURRED COSTS

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

	For the quarter ended March 31,	
	2016	2015
Exploration and evaluation and development expenditures – capitalized	$2,695,938	$1,730,286
Employee benefit and expenses	854,782	912,543
General and administrative expenses	695,329	722,759
Depreciation and amortization	16,067	23,447
Total	$4,262,116	$3,389,035

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

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;

"*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*" means the $25 million cost overrun facility;

"*Credit Agreement*" 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 Facility 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, and as currently being 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 are 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.

"*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;

"*Initial 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 subject to 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;

"*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;

"*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;

"*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 Agreements*" means the subscription agreements dated March 11, 2016 among the Corporation and each of Orion and RCF to give effect to the Private Placements;

"*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 Facility*" 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 issuable pursuant to the terms of the Subscription Receipts.