LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

Contents

DIRECTORS
Mr Gordon Wylie, Non-Executive Director and Chairman of the Board
Mr Willan Abel, Non-Executive Director
Mr Stephen J. Altmann, Non-Executive Director
Dr Gillian Davidson, Non-Executive Director
Mr Josh Parrill, Non-Executive Director
Mr Timothy Read, Non-Executive Director
Mr John Stubbs, Non-Executive Director
Mr Howard Stevenson, Director

OFFICERS
Mr Howard Stevenson, President and Chief Executive Officer
Mr Douglas Tobler, Chief Financial Officer
Mr Andrew Kaczmarek, Chief Operating Officer

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The accompanying consolidated financial statements, notes thereto, and other information in Management's Discussion and Analysis of Lydian International Limited and its subsidiaries (the "Company"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgments and policies that it believes appropriate in the circumstances.

The Company maintains a system of internal accounting controls that provides on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Company's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit Committee, is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, all of whom are independent, and meets periodically with Management and the external auditors to review accounting, auditing, internal control, and financial reporting matters.

The consolidated financial statements have been audited by Grant Thornton LLP, Chartered Professional Accountants, Licensed Public Accountants who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

Signed "Howard Stevenson"
President and CEO

Signed "Douglas Tobler"
Chief Financial Officer

March 28, 2018

To the Shareholders of Lydian International Limited:

We have audited the accompanying consolidated financial statements of Lydian International Limited, and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and December 31, 2016, and the consolidated statements of profit and loss and comprehensive profit and loss, statements of cash flows and statements of changes in equity, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lydian International Limited, and its subsidiaries as of December 31, 2017 and December 31, 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "Grant Thornton LLP"
Chartered Professional Accountants
Licensed Public Accountants
March 28, 2018
Toronto, Canada

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of US Dollars, unless otherwise stated)

	Notes	As of December 31, 2017	As of December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 53,937	$ 137,196
Restricted cash	5	636	9,078
Other current assets	6	1,391	1,058
Total current assets		55,964	147,332
Non-current assets			
Mineral property, plant and equipment, net	7	360,789	111,648
Deferred financing costs	8	12,054	18,955
Other non-current assets	9	34,153	4,997
Derivative assets	12	2,789	7,592
Restricted reclamation deposit	13	1,234	955
Total non-current assets		411,019	144,147
TOTAL ASSETS		$ 466,983	$ 291,479
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 37,466	$ 5,905
Current portion of debt	11	15,684	-
Total current liabilities		53,150	5,905
Non-current liabilities			
Stream liability	11	67,712	60,269
Debt	11	105,318	10,981
Provisions	13	8,086	452
Deferred VAT tax payable	9	13,661	-
Derivative liabilities	12	39,429	25,951
Total liabilities		287,356	103,558
EQUITY			
Share capital	14	283,594	268,608
Employee share-based plan reserves		4,223	3,294
Translation of foreign operations		(18,528)	(18,472)
Accumulated deficit		(89,662)	(65,509)
Total equity		179,627	187,921
TOTAL LIABILITIES AND EQUITY		$ 466,983	$ 291,479
Commitments	23		
Contingencies	24		
Subsequent events	25		

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE PROFIT AND LOSS

(expressed in thousands of US Dollars, unless otherwise stated)

	Notes	2017	2016
Interest income		$ 593	$ 313
Total income		593	313
Employee salaries and benefits expense	16	4,285	3,805
General and administrative expense	17	3,242	3,200
Depreciation and amortization expense		8	44
Loss/(gain) on financial instruments at fair value	12	18,281	(9,854)
Other (income) expense, net	18	(1,097)	855
Total expense (income)		24,719	(1,950)
(Loss) profit before income taxes		(24,126)	2,263
Income taxes	19	27	-
Net (loss) profit		$ (24,153)	$ 2,263
Net (loss) profit per share (basic and diluted)	20	$ (0.03)	$ 0.00
Other comprehensive (loss) profit:			
Net (loss) profit		$ (24,153)	$ 2,263
Other comprehensive (loss) profit:			
Foreign currency translation adjustments		(56)	793
Total comprehensive (loss) profit		$ (24,209)	$ 3,056

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in thousands of US Dollars, unless otherwise stated)

	Notes	For the year ended December 31, 2017	2016
Cash flows from operating activities			
Net (loss) profit		$ (24,153)	$ 2,263
Adjustments for:			
Depreciation and amortization		8	44
Impairment		-	475
Loss on disposal of plant and equipment		-	32
Write-off deferred finance costs		-	241
Interest income		(593)	(313)
Loss (gain) on financial instruments at fair value, net	12	18,281	(9,854)
Unrealized foreign exchange gain		(1,111)	-
Share-based compensation payments	16	958	747
Working capital changes:			
Change in other operating assets		105	(572)
Change in accounts payable and accrued liabilities		241	84
Cash used in operations		(6,264)	(6,853)
Cash flows from investing activities			
Acquisition and construction of mineral property, plant and equipment		(194,958)	(29,691)
Change in other non current assets		(15,470)	(1,579)
Interest income received		593	313
Cash used in investing activities		(209,835)	(30,957)
Cash flows from financing activities			
Proceeds from debt issuance		122,851	45,000
Financing costs		(13,033)	(6,783)
Proceeds from issuance of share capital		14,499	118,347
Decrease (increase) in restricted cash	5	8,442	(9,078)
Interest Payments		(1,096)	-
Other		83	-
Cash provided from financing activities		131,746	147,486
Net (decrease) increase in cash and cash equivalents		(84,353)	109,676
Foreign exchange effect on cash		1,094	(1,034)
Cash and cash equivalents, beginning of period		137,196	28,554
Cash and cash equivalents, end of the period		$ 53,937	$ 137,196

The accompanying notes are an integral part of these consolidated financial statements.

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(expressed in thousands of US Dollars, unless otherwise stated)

		Reserves				
	Share Capital	Employee share option plan reserve	Restricted stock unit plan reserve	Translation of foreign operations	Accumulated Deficit	Total
Balance at December 31, 2015	$ 164,138	$ 3,574	$ -	$ (19,265)	$ (67,772)	$ 80,675
Issue of new shares	118,346	-	-	-	-	118,346
Cost of share issue	(6,359)	-	-	-	-	(6,359)
Issue of warrants	(8,695)	-	-	-	-	(8,695)
Attributable to expired options	1,178	(1,178)	-	-	-	-
Share based compensation	-	229	669	-	-	898
Total comprehensive profit (loss)	-	-	-	793	2,263	3,056
Balance at December 31, 2016	$ 268,608	$ 2,625	$ 669	$ (18,472)	$ (65,509)	$ 187,921
Issue of new shares	$ -	$ -	$ -	$ -	$ -	$ -
Cost of share issue	-	-	-	-	-	-
Issue of shares for RSUs	418	-	(418)	-	-	-
Issue of shares for warrant exercise	14,499	-	-	-	-	14,499
Attributable to expired options	69	(69)	-	-	-	-
Share based compensation	-	79	1,337	-	-	1,416
Total comprehensive (loss) profit	-	-	-	(56)	(24,153)	(24,209)
Balance at December 31, 2017	$ 283,594	$ 2,635	$ 1,588	$ (18,528)	$ (89,662)	$ 179,627

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Lydian International Limited ("Lydian") is a corporation continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of Lydian is Bourne House, 1st Floor, St Heller, Jersey JE2 4QE Channel Islands. Lydian had two securities listed on the Toronto Stock Exchange ("TSX"). Its ordinary shares ("Ordinary Shares") began trading under the symbol LYD on January 10, 2008. Certain warrants ("Public Offering - Warrants") began trading under the symbol LYD.WT on May 26, 2016 and ceased trading following their expiration on November 27, 2017.

Lydian, together with its subsidiaries (the "Company"), 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 ("Mining Right") issued by the Republic of Armenia in May 2016.

In conducting development activities in Armenia, the Company is subject to considerations and risks not typically associated with companies operating in Jersey or Canada. These include but are not limited to risks such as political, economic and legal environments in emerging markets. The Company'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.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, effective as of December 31, 2017, and interpretations of the International Financial Reporting Interpretations Committee.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as discussed in Note 12. All amounts are presented in thousands of US Dollars unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company is exposed to variable returns and has the ability to affect those returns through power to direct the relevant activities. All intercompany transactions and balances are eliminated in full upon consolidation.

(expressed in thousands of US Dollars, unless otherwise stated)

Details of the Company's direct and indirect subsidiaries as of December 31, 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation or registration	Functional currency	Effective ownership interest 2017	2016	Principal activity
Lydian International Holdings Ltd.	British Virgin Islands	USD	100%	100%	Intermediate holding company
Lydian Resources Kosovo	British Virgin Islands	CAD	100%	100%	Intermediate holding company
Lydian Resources Armenia	British Virgin Islands	USD	100%	100%	Intermediate holding company
Lydian Resources Georgia Limited	Jersey	CAD	100%	100%	Intermediate holding company
Lydian U.S. Corporation	U.S.A.	USD	100%	100%	Management company
Lydian Armenia CJSC ("Lydian Armenia")	Armenia	USD	100%	100%	Mineral exploration and development
Georgian Resource Company LLC	Georgia	GEL	100%	100%	Mineral exploration
Kavkaz Zoloto CJSC	Armenia	AMD	95%	95%	Dormant company

Critical accounting judgments in applying the Company's accounting policies and key estimation uncertainties
In applying the Company'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.

Certain events and transactions occurring during the years ended December 31, 2017 and 2016, required management to apply significant judgments or required the use of estimates, including:

Impairment of development assets – The Company had sufficient financial resources and therefore decided to proceed with construction of Amulsar in May 2016. Upon this decision, costs previously recorded as exploration and evaluation assets were reclassified to development assets. Review of impairment indicators included consideration of external and internal sources of information, including factors such as market, geopolitical and economic conditions, metal prices and forecasts, commercial viability, technical feasibility, and availability of permits. Management has assessed impairment indicators of the Company's development assets and found that no impairment indicators exist at the end of each reporting period.

The application of the Company's accounting policy for assessing impairment of development assets requires judgment. In completing impairment assessments, the Company utilized certain findings as reported in its technical report dated March 30, 2017 ("2017 Amulsar Technical Report"), which was prepared in accordance with National Instrument 43-101 – Standards for Disclosure of Mineral Projects ("NI 43-101"). This included the amount and timing of cash flows, reflecting estimates 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.

Fair value of financial instruments – Fair value of financial instruments that are not traded on an active market or do not have sufficient trading volumes and embedded derivatives are determined using alternative valuation techniques.

The Company entered into several financing agreements (the "Agreements") that contained provisions giving rise to financial derivatives. These derivatives are accounted for at fair value and marked to market each reporting period thereafter. In determining fair value, management's judgment is required in respect of input variables of the financial model used for estimation purposes. These variables include such inputs as the Company's stock prices, stock price volatility, trading volumes of its warrants, risk-free rates of return, the credit-risk-premium, LIBOR terms and associated rates, availability of alternative financing, gold and silver price forward curves, gold and silver price volatilities, timing of future production, timing of draws upon financing facilities, timing of repayments of financing facilities, expected future LIBOR rates, timing of achieving commercial production, availability of positive cash flows from operations, and other factors. Management uses its judgment to select from a variety of valuation methods and utilizes assumptions deemed to be reflective of conditions at the end of each reporting period.

Asset retirement obligation – The Company's calculation of rehabilitation and closure provisions relies on estimates of costs required to rehabilitate and restore land to appropriate post-operations' condition. Key assumptions are reviewed regularly and adjusted to reflect current assumptions used to calculate these estimates. Significant judgment is required in determining the provision for mine closure and rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development and operating activity, changes in technology, price, and inflation rate and interest rate changes.

Change in functional currency – Effective May 26, 2016, the Company determined that the functional currency of Lydian Armenia changed from the Armenian Dram to the US 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 US Dollars. In connection with the change in the functional currency of Lydian Armenia, the intermediary holding companies Lydian Resources Armenia and Lydian International Holdings Limited also changed. This change in judgment has been accounted for prospectively in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Stream liability – The Company entered into a stream agreement ("Stream Agreement") on November 30, 2015 and subsequently received an initial advance of cash. As set out in the consolidated financial statements for the year ended December 31, 2015, management treated the cash received as an advance based on consideration of the characteristics of the cash advance and contractual terms of the agreement. In May 2016, the Company derecognized the advance which was replaced with a financial liability, as it was management's judgment that the financing arrangement was best characterized as a financial liability as the Company met the conditions precedent to the agreement. This determination was based predominantly on conditions of the Stream Agreement permitting cash settlements.

Impairment of exploration and evaluation assets – The assessment of impairment of exploration and evaluation assets requires judgment to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resourced properties are budgeted and results of exploration activities up to the reporting date.

Deferred Taxes – Until such time as the Company has certainty as to future profits, deferred tax assets and liabilities are not recognized.

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.

3. ACCOUNTING POLICIES

The accounting policies adopted, other than policies associated with changes in circumstances, are consistent with those of the previous financial year.

Foreign currency
The individual financial statements of each entity of the Company are prepared in the currency of the primary economic environment in which the entity operates (its "functional currency"). The consolidated financial statements are expressed in US Dollars, which is the presentation currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting date and are recognized in profit and loss in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's operations are expressed in US Dollars using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Translation differences arising are recognized in other comprehensive income and recorded in the Translation of foreign operations reserve.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, at banks and other highly liquid short-term instruments with initial maturities of 90 days or less.

Restricted cash
Cash subject to restrictions that prevent its use for general purposes is excluded from cash and cash equivalents. Restricted cash is separately reported on the balance sheet as current or non-current depending on the expected disposition of the use restrictions.

Materials and supplies inventories
Material and supplies inventories consist mostly of equipment parts and consumables and are valued at the lower of average cost or net realizable value.

Financial instruments (assets)
The Company's financial assets include:

- Cash and cash equivalents, restricted cash which are recorded at amortized cost;
- Accounts receivable which are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses, and;
- Derivative assets which are recorded at fair value through profit and loss and stated at fair value.

Financial instruments (liabilities)
The Company's financial liabilities include:

- Accounts payable and accrued liabilities are initially recorded at fair value and carried at amortized cost;

- Stream and debt which is initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost using the effective interest method, and;
- Derivative liabilities recorded at fair value through profit and loss and are stated at fair value on the Consolidated Statement of Financial Position.

The Company classifies financing arrangements giving consideration to cash flow characteristics, contractual terms and relevant business objectives. Financing arrangements are 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.

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 adjustment being recognized currently as a gain or loss in the statement of profit and loss.

Financing costs
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 proceeds from financing transactions are received, the associated costs are allocated to and reclassified against such financing arrangements. Financing costs associated with debt are expensed over time as interest expense using the effective interest rate method, unless capitalized during construction. In the event that a financing effort is abandoned or unsuccessful, allocable financing costs are charged to expense.

Deferred Value Added Tax
Value added tax associated with import of certain equipment can be deferred for up to three years based on the Armenian regulation. On import, the Company records a long-term VAT receivable and a long-term VAT payable as the timing of the recoverability and payment are different.

Exploration and evaluation assets
Exploration and evaluation expenditures comprise costs incurred directly in exploration and evaluation, as well as the cost of mineral licenses. Such costs are capitalized as exploration and evaluation assets subsequent to acquisition of the licenses and pending determination of the feasibility of the project and an affirmative construction decision by the Company.

Development Costs
Expenditures are considered to be development costs when the work completed supports the future development of the property through the issuance of a technical report, in accordance with NI 43-101, and such development decision receives appropriate Board approvals. In addition to economic viability, the Board also considers the ability to obtain commercial financing and the Company's ability to execute within time and cost limitations. The Company's Amulsar Gold Project is a development asset.

Development costs include costs directly related to bringing the mine to production. Development costs include:

- costs of exploration reclassified to development once economic recoverability is demonstrable and development is approved by the Board;
- environmental assessment and permitting costs;
- costs to acquire surface rights;
- construction in progress, including advances to contractors;
- asset restoration and rehabilitation costs;
- interest costs; and
- other costs directly associated with mine development.

Upon entering the commercial production phase, a portion of the development costs will be transferred to producing properties and plant and equipment. Producing properties will be depleted using the units of production method over proven and probable reserves. Plant and equipment will be amortized over the useful life of the asset. No amortization or depreciation is recorded until the assets are substantially complete and available for their intended use.

Restoration and rehabilitation

Provisions for reclamation and closure cost obligations represent management's best estimate of the present value of the future expenditures required to settle the obligation which reflects estimates of future costs, inflation, changes in foreign exchange rates and assumptions of risks associated with the future expenditures, using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Changes in the above factors can result in a change to the provision recognized. An asset retirement obligation to incur decommissioning and reclamation costs generally occurs when an environmental disturbance is caused by exploration, evaluation or development. Costs are estimated on the basis of a closure plan and are subject to periodic review. Decommissioning and site reclamation costs are discounted to present value when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs will be charged through depreciation and/or depletion of the asset and unwinding of the discount on the provision.

Capitalized Interest

Interest costs for qualifying assets are capitalized. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in development or construction stages. Capitalized interest costs are considered an element of the cost of the qualifying asset. Capitalization ceases when the asset is available for use in the manner intended by management or if active development is suspended or ceases. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributed to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings.

Impairment of development assets

The Company reviews and evaluates the carrying value of its development assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. Furthermore, management's estimates of many of the factors relevant to completing this assessment, including commodity prices, foreign currency exchange rates, mineral resources, and operating, capital and reclamation costs, are subject to risks and uncertainties that may further affect the determination of the recoverability of the carrying amount.

If any such indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In determining the recoverable amounts of the Company's development assets, the Company uses the fair value less costs to sell approach until such time as a value in use can be determined. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. When there is no binding sales agreement, fair value less costs to sell is estimated as the discounted future pre-tax, post royalty cash flows expected to be derived from the asset, less an amount for costs to sell estimated based on similar transactions. The inputs used in the fair value measurement constitute Level 3 inputs under the fair value hierarchy. When discounting estimated future cash flows, the Company uses a discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future production, metal selling prices, operating costs and capital costs.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit and loss for that period. Impairment is assessed at the level of cash-generating units ("CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Plant and equipment
Plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit and (loss).

Expenditures to replace a separately accounted for component of an item of plant or equipment is capitalized and the existing carrying amount of the component is written off. Other subsequent expenditures are capitalized if future economic benefits are expected to arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the statement of profit and (loss) as incurred.

Depreciation of plant and equipment is based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life and during construction is charged to development assets. Depreciation commences when the assets are available for use. The estimated useful lives are as follows:

Machinery and equipment	7 - 10 years
Motor vehicles	3 - 5 years
Office equipment	3 - 5 years

Impairment of plant and equipment
Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of plant and equipment at the date the impairment is reversed does not exceed what the cost less accumulated depreciation would have been had the impairment not been recognized.

Share-based compensation
Equity-settled awards, including share options and restricted stock units, are measured at fair value at the date of grant and recognized, over the vesting period, based on the Company's estimate of equity settled awards that will eventually vest, along with a corresponding increase in equity. Compensation costs for the Option Plan and RSU Plan are recorded in share-based compensation expense unless directly attributable to a development asset, in which case such costs are capitalized.

Under the Company's Stock Option Plan ("Option"), amounts related to expired and exercised options are transferred from share-based compensation reserve to share capital when the related expiration or exercise takes place.

Under the Company's Restricted Stock Unit Plan ("RSU"), awards can be either equity or cash settled upon vesting at the discretion of the Board of Directors. As the Company does not have a present obligation to settle in cash, the awards are treated as equity-settled instruments. The vesting terms for RSUs are specific to each individual award as determined and approved by the Board of Directors. The fair value of the RSUs are recognized over the vesting period specific to the grant. On exercise of the RSUs, the accumulated amount in the reserve is credited to share capital.

Taxation
The Company has minimal taxable profit. Until such time as the Company has certainty as to future profits, deferred tax assets and tax liabilities are not recognized.

Operating leases
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Net profit (loss) per share
Net profit (loss) per ordinary share is calculated by dividing the net profit (loss) attributed to shareholders for the period by the weighted average number of ordinary shares outstanding during the period. Diluted profit (loss) per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares using the treasury stock method.

Segment information
The Company has identified its operating segments based on the internal reports that are reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. The CODM considers the business from a geographic perspective and assesses the performance of geographic segments based on measures of profit and loss as well as assets and liabilities. These measures include operating expenditures, expenditures on exploration and development, plant and equipment, non-current assets and total debt, if any.

The Company operates under a single geographic segment engaged in mineral exploration and development in the Caucasus region. Financial information is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning on or after January 1, 2018 and have not been early adopted. Pronouncements that are not applicable have been excluded from those described below.

IFRS 9, *Financial Instruments* – The IASB published IFRS 9 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model, and a substantially reformed approach to hedge accounting. The Company has made an initial evaluation and does not anticipate any material effect upon adoption of this standard. Management will continue to monitor this conclusion as the adoption date approaches.

(expressed in thousands of US Dollars, unless otherwise stated)

IFRS 15, *Revenue from Contracts with Customers* – The IASB published IFRS 15 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The Company has made an initial evaluation of the impact of IFRS 15 on its financial statements and related disclosures. Presently the adoption would have no material effect because the Company has no revenue. The Company will apply the new standard upon commencement of mine production.

IFRS 16, *Leases* – The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019, though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 Revenue from Contracts with Customers. The standard establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases Standard, IAS 17, Leases, and related interpretations. The Company is in the process of evaluating the effect of the standard on its financial statements, in particular, the impact of long term leases of land.

IFRS 2, *Share based payments* - In June 2016 the IASB issued an amendment clarifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity- settled. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company has evaluated the change in the standard and there is no material impact from the adoption.

5. RESTRICTED CASH

As of December 31, 2017, and 2016, the company held certain cash amounts, advanced under a credit agreement, that are required to be used to acquire equipment for Amulsar. Such cash amounts are restricted until expenditures are required to purchase equipment acceptable to the lender.

6. OTHER CURRENT ASSETS

	As of	
	December 31, 2017	December 31, 2016
Deposits	$ 20	$ 93
Prepayments and other receivables	985	662
Supplies	329	252
Refundable VAT	57	51
	$ 1,391	$ 1,058

(expressed in thousands of US Dollars, unless otherwise stated)

7. MINERAL PROPERTY, PLANT AND EQUIPMENT, NET

	Exploration and Evaluation Assets	Development Assets	Plant and Equipment	Total
Cost				
As of December 31, 2015	$ 67,197	$ -	$ 8,427	$ 75,624
Additions	3,943	32,306	2,813	39,062
Reclass to Development Assets	(71,653)	76,454	(4,801)	-
Impairment/Disposals	(482)	-	(249)	(731)
Foreign exchange differences	995	83	117	1,195
As of December 31, 2016	$ -	$ 108,843	$ 6,307	$ 115,150
Additions		250,724	-	250,724
Disposals	-	-	(1,053)	(1,053)
Transfers of assets into service	-	(8,113)	8,113	-
Impairment/Disposals	-	-	-	-
Foreign exchange differences	-	-	9	9
As of December 31, 2017	$ -	$ 351,454	$ 13,376	$ 364,830
Accumulated Depreciation				
As of December 31, 2015	$ -	$ -	$ 2,918	$ 2,918
Additions	-	-	774	774
Disposals	-	-	(220)	(220)
Foreign exchange differences	-	-	30	30
As of December 31, 2016	$ -	$ -	$ 3,502	$ 3,502
Additions	-	-	838	838
Disposals	-	-	(308)	(308)
Foreign exchange differences	-	-	9	9
As of December 31, 2017	$ -	$ -	$ 4,041	$ 4,041
Carrying Amount				
As of December 31, 2016	$ -	$ 108,843	$ 2,805	$ 111,648
As of December 31, 2017	$ -	$ 351,454	$ 9,335	$ 360,789

Amulsar entered the development phase effective May 26, 2016 when conditions for its financing were met and the Company made a formal construction decision. As a result, previously capitalized exploration and evaluation assets of $71.6 million were reclassified to development assets. Certain amounts, including the acquisition of surface rights, have been reclassified from property plant and equipment to development assets to conform to current year presentation.

The table below summarizes non-cash additions to exploration and development assets.

	For the year ended December 31,	
	December 31, 2017	December 31, 2016
Interest	$ 14,107	$ 5,281
Depreciation	830	716
Rehabilitation obligation	7,634	107
Share-based compensation	458	150
	$ 23,029	$ 6,254

(expressed in thousands of US Dollars, unless otherwise stated)

8. DEFERRED FINANCING COSTS

	Financing Costs
As of December 31,2015	$ 2,538
Additions	26,273
Reclassifed to equity	(6,229)
Reclassifed to stream liability	(3,386)
Write-offs	(241)
As of December 31, 2016	$ 18,955
Additions	11,539
Reclassified to debt	(18,440)
As of December 31, 2017	$ 12,054

Additions to financing costs in 2016 include $17.6 million of non-cash items related to the derivatives.

9. OTHER NON-CURRENT ASSETS

	As of	
	December 31, 2017	December 31, 2016
Refundable VAT	$ 19,748	$ 4,278
Deferred VAT receivable	13,661	-
Other	744	719
	$ 34,153	$ 4,997

Value added tax ("VAT') is initially paid on the provision of goods or services to the Armenian Government. Refundable VAT is recoverable through future export sales. Effective January 1, 2018, the Armenian Government changed the legislation to allow for the early refund of certain VAT for semi-annual periods from July 1, 2017 forward. The Company applied for a refund in early 2018.

Deferred VAT is associated with the import of equipment, which allows the Company to defer payments for up to three years from the date of import. The deferred VAT receivable and deferred payable of $13,661 will become recoverable upon the Company's export of a finished product.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As of	
	December 31, 2017	December 31, 2016
Accounts payable and accrued liabilities	$ 34,889	$ 4,754
Wage accruals	2,577	1,151
	$ 37,466	$ 5,905

(expressed in thousands of US Dollars, unless otherwise stated)

11. STREAM LIABILITY AND DEBT

The table below summarizes activity of the Financing Agreements for the year ended December 31, 2017 and December 31, 2016:

	Stream Agreement	Stream Liability	Debt: Term Loan	Debt: Equipment Financing	Debt: Total
As of December 31, 2015	$ 24,925	$ -	$ -	$ -	$ -
Accrued Interest	1,671	-	-	-	-
Subtotal	$ 26,596	-	-	-	-
Derecognition/replacement	(26,596)	23,452	-	-	-
Proceeds from borrowings	-	35,000	981	10,000	10,981
Reclassified from financing costs	-	(1,793)	-	-	-
Accrued interest	-	3,610	-	-	-
As of December 31, 2016	$ -	$ 60,269	$ 981	$ 10,000	$ 10,981
Proceeds from borrowings	-	-	80,000	42,851	122,851
Reclassified from financing costs	-	-	(12,373)	(6,067)	(18,440)
Accrued interest	-	8,843	2,021	1,973	3,994
Amortization of financing costs	-	295	807	168	975
Interest payments	-	-	-	(1,054)	(1,054)
As of December 31, 2017	$ -	$ 69,407	$ 71,436	$ 47,871	$ 119,307
Less: current portion	-	(1,695)	(9,765)	(4,224)	(13,989)
Long term portion	$ -	$ 67,712	$ 61,671	$ 43,647	$ 105,318

Stream Arrangement

The first advance under the Stream Agreement was received in December 2015. At that time the Agreement was subject to certain conditions that limited the availability of additional funding. As such, the Company accounted for the initial advance as a current liability. Upon satisfaction of the conditions in May 2016, management derecognized the advance and replaced it with a non-current stream liability. The Company is obligated to deliver 6.75% of gold production, limited to aggregate deliveries of 142,454 refined ounces and 100% of silver production, limited to aggregate deliveries of 694,549 refined ounces. Upon delivery, the Company will be paid the lower of prevailing market prices or $400/oz. for gold and $4/oz. silver, each subject to escalation provisions. Expiration of the agreement is the earlier of the date the aggregate gold and silver deliveries have been made or 40 years.

Term Loan and Cost Overrun Facility

In 2016, the Company entered into the Term Loan agreement, which provides $160 million on a senior secured basis for purposes of construction of Amulsar. Interest is based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 6.5% margin. Principal plus 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. A $14 million cost overrun facility ("COF") is also available as part of the Term Loan. Interest is calculated based on the 3-month US dollar LIBOR rate, subject to a minimum of 1%, plus a 9.5% margin. A cash sweep of 30% of excess cash flows will be used to repay the COF. Any remaining balance will be due in full on September 30, 2020.

On June 30, 2017, the Company entered into a Fifth Amending Agreement to the Term Loan that modified the availability period of the Second Advance to August 15, 2017, extended Commercial Production date to September 30, 2018 and provided for certain changes to other conditions precedent. As of December 31, 2017, three Term Loan draws totaling $80 million had been received. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

(expressed in thousands of US Dollars, unless otherwise stated)

Equipment Financing

The Company entered three secured credit facilities for the purpose of purchasing equipment associated with the Amulsar Gold Project. The maximum aggregate borrowings under these term facilities is limited to $90 million. A summary of each term facility is below:

- The Ameriabank Term Facility has a maximum principal amount of $24 million and will be secured by certain equipment. Interest is calculated based on LIBOR plus 8.75% and there is a 2% commitment fee on any undrawn portion. Interest and commitment fees are payable quarterly and principal payments become payable quarterly beginning in January 2018. As of December 31, 2017, $10 million was drawn on this facility. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

- The Cat Term Facility has a maximum principal amount of $42 million and will be secured by certain mobile mining equipment. Interest is calculated based on LIBOR plus 4.5%. Each advance is repayable over a 75-month term, inclusive of a six-month initial repayment grace period. As of December 31, 2017, $2.3 million was drawn on this facility. Availability of funds is subject to satisfaction or waiver of certain conditions.

- The ING Term Facility has a maximum principal amount of $50 million and will be secured by material handling and electrical equipment. Interest is calculated based on LIBOR plus 2.95%. Each advance is repayable over a 51-month term. As of December 31, 2017, $40.5 million was drawn on this facility. Availability of additional funds is subject to satisfaction or waiver of certain conditions.

The table below presents the maturities of the stream liability and debt:

	As of December 31, 2017
Up to one year	$ 15,684
More than one year and not later than five years	153,293
More than five years	19,737
	$ 188,714

The Company is either in compliance with the provisions of its debt facilities or has received waivers as of December 31, 2017.

12. FINANCIAL INSTRUMENTS

The Company recognized certain financial instruments relating to the Financing Agreements, including the advance under stream agreement, stream liability, debt and derivatives discussed in Note 11, Stream Liability and Debt. None of these financial instruments are held for trading, and the Company 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 agreements in combination to determine an effective yield on the date the agreements were considered effective. Derivatives entered into as part of the Stream Agreement, Offtake Agreement and warrants in 2016, are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period.

The table below sets out the fair value hierarchy levels, fair values of the financial instruments, and the gains and losses recognized for the respective periods.

(expressed in thousands of US Dollars, unless otherwise stated)

	Derivative Assets (Liabilities)					
Summary of Derivative Assets/(Liabilities)	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Public Offering Warrants	Loan Fee Warrants	Gain (Loss)
Fair Value Hierarchy Level[1]	3	3	3	2	2	
Fair value at May 26, 2016	$ 3,069	$ (21,922)	$ -	$ (8,695)	$ (665)	
Change in fair value	(1,761)	744	6,284	4,434	153	$ 9,854
Fair value at December 31, 2016	1,308	(21,178)	6,284	(4,261)	(512)	
Change in fair value	1,481	(5,850)	(18,353)	4,261	180	$ (18,281)
Fair value at December 31, 2017:	$ 2,789	$ (27,028)	$ (12,069)	$ -	$ (332)	
Sensitivity impact upon fair value at December, 2017:						
10% increase in gold price[2]	$ 1,629	$ (2,691)	$ (11,395)	N/A	N/A	$ (12,457)
10% increase in silver price[2]	$ 119	NA	$ (679)	N/A	N/A	$ (560)
10% increase in 3-month LIBOR rate[2]	$ 4	$ 21	$ 42	N/A	N/A	$ 67

[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.

[2] The above impacts reflect an increase in the stated variables on the resulting value of the asset and liability; the opposite would occur if the stated variables decreased.

Fair Value Measurement

Level 1 Fair Value Estimates - Fair value of the advance under the Stream Agreement and debt were initially estimated using Level 1 criteria, which was the advance amount or proceeds from debt received by the Company. The fair value of the advance under the Stream Agreement was replaced with the fair value of the stream liability on May 26, 2016, thereafter, the stream liability was carried at amortized cost using the effective interest method.

The fair value and carrying value of debt is the same for all reported periods.

Level 2 Fair Value Estimates - Fair value of the warrants was estimated using Level 2 criteria. The Company used a Black-Scholes option pricing model to estimate the fair value of the 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. As the Public Offering – Warrants expired on November 27, 2017, there is no fair value as of December 31, 2107. 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 the fair value of the warrants include:

(expressed in thousands of US Dollars, unless otherwise stated)

	Public Offering - Warrants		Loan Fee - Warrants	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Warrants outstanding	-	99,187,500	5,000,000	5,000,000
Expected remaining life in years	-	0.90	1.40	2.40
Expected volatility	-	61.6%	48.0%	78.4%
CAD Stock price per share on valuation date	-	$0.33	$0.38	$0.33
CAD Exercise price	-	$0.36	$0.39	$0.39
CAD Risk free interest rate	-	1.14%	1.47%	1.55%
CAD/USD Exchange rate	-	0.7445	0.7977	0.7445
Expected dividend per share	$Nil	$Nil	$Nil	$Nil

Level 3 Fair Value Estimates - Fair value of the 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	
	December 31, 2017	December 31, 2016
Gold spot price per ounce	$1,306.30	$1,150.00
Silver spot price per ounce	$17.06	$15.94
10 year risk free interest rate	2.42%	2.38%
3-month LIBOR rate	1.705%	0.935%

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, and similar debt yields of mining companies. The other key inputs and assumptions to the valuations 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, and the quotational period.

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. The key input was the gold price.

Derivatives associated with the Agreements are measured at fair value on a recurring basis. As such, carrying values are adjusted to fair value as of the end of each reporting period as shown in the table above.

For the period ended December 31, 2017 and December 31, 2016, the fair value of the stream liability was $85,085 and $61,290 respectively and the carrying value is shown in Note 11 – Steam Liability and Debt.

13. PROVISIONS

Reclamation provision

The provision for restoration and rehabilitation represents the present value of future outflow of economic benefits that will be required to restore and rehabilitate Amulsar. The provision recognized as of December 31, 2017 relates only to the rehabilitation of Amulsar mine areas affected by development and exploration activities.

(expressed in thousands of US Dollars, unless otherwise stated)

		Provisions
As of December 31, 2015	$	339
Additions		113
As of December 31, 2016		452
Additions		7,634
As of December 31, 2017	$	8,086

At the end of each year, the Company reviews cost estimates and assumptions used in the valuation of environmental provisions. Changes in these cost estimates and assumptions have a corresponding impact on the carrying value of the obligation. The primary factors that can cause expected future cash flows to change are, material changes in reserve estimates and the life-of-mine plan, and changes in laws and regulations governing the protection of the environment. The environmental provision established for reclamation and closure cost obligations represents the present value of rehabilitation costs for Amulsar. For the year ended December 31, 2017, the Company updated the reclamation and closure cost obligation for Amulsar. The update was prepared based on management and third-party estimates. The total undiscounted inflated expenditures are estimated at $15.1 million as of December 31, 2017. The critical assumptions used in the updated estimate include the expected costs to be incurred, the timing of those expenditures, the average inflation rate (4%), and the discount rate (10.7%) used to determine net present value.

Restricted reclamation deposit:
According to the Mining Right, Lydian Armenia is required to make installment payments to the Armenian Government as a guarantee for post mining rehabilitation and government monitoring. The rehabilitation prepayments will be refunded to the Company after the Armenian Government accepts the post mine closure rehabilitation work. Lydian Armenia is also required to prepay non-refundable post mining governmental monitoring of Amulsar.

14. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Company 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 Company's shareholders' meetings.

	Number		Value
Shares outstanding, December 31, 2015	184,632,587	$	164,138
Shares issued for cash, net of issuance costs	514,816,666		111,987
Amount attributable to warrants	-		(8,695)
Amount attributable to expired options	-		1,178
Shares outstanding, December 31, 2016	699,449,253		268,608
Shares issued under RSU Plan	1,391,080		418
Shares issued for cash, upon exercise of warrants	51,124,300		14,499
Amount attributable to expired options	-		69
Shares outstanding, December 31, 2017	751,964,633	$	283,594

(expressed in thousands of US Dollars, unless otherwise stated)

The Company's warrants consist of the Public Offering - Warrants and the Loan Fee – Warrants. The total outstanding is shown below:

	Number of Warrants	Weighted Average Exercise Price (CAD)	Weighted Average Remaining Life (Yrs.)
Balance as of December 31, 2015	-	$0.00	-
Warrants granted	104,487,500	0.36	0.98
Balance as of December 31, 2016	104,187,500	$0.36	0.98
Warrants exercised	(51,124,300)	0.36	NA
Warrants expired	(48,063,200)	0.36	NA
Balance as of December 31, 2017	5,000,000	$0.39	1.40

Significant Transactions

Public Offering - On March 17, 2016, the Company closed a public offering of an aggregate of 115,000,000 subscription receipts in the capital of the Company, at a price of Canadian dollars ("C") C$0.29. In connection with this 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 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 Company and three-quarters of one ordinary share purchase warrant of the Company. Each warrant entitled the holder to purchase one ordinary share of the Company (each a "Public Offering - Warrant") at a price of C$0.36 for a period of 18 months following their date of issuance. The gross proceeds in whole dollars 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 Company met the escrow release conditions, and each of the Company's outstanding subscription receipts was exchanged for one Lydian ordinary share and three-quarters of one Public Offering - Warrant, as outlined above. An aggregate of 132,250,000 ordinary shares and 99,187,500 Public Offering - Warrants were issued and proceeds were released to the Company. The Public Offering - Warrants began trading on the TSX under the ticker symbol "LYD.WT". The Public Offering - 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 Public – Offering Warrants from the stock proceeds to the liability is included in the table above. See Note 12 regarding Financial Instruments, inclusive of the Warrants. During 2017, the Company received in whole dollars C$18,404,748 (USD $14,498,914) upon the exercise of 51,124,300 Public Offering – Warrants. The remaining 48,063,200 Public Offering – Warrants expired on November 27, 2017.

Private Placements **-** On March 11, 2016, in connection with the Agreements (Note 11), the Company entered into subscription agreements with affiliates of RCF and Orion to affect 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 were issued on May 26, 2016 upon the satisfaction of the escrow release conditions under the offering. Gross proceeds in whole dollars of C$104,720,000 ($80,000,000) were released to the Company.

Concurrently with the closing of the Private Placements, the Company issued 5,000,000 Loan Fee - Warrants. Each Loan Fee - Warrant entitles the holder to purchase one ordinary share of the Company 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. See Note 12.

(expressed in thousands of US Dollars, unless otherwise stated)

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 Company's outstanding subscription receipts. Each subscriber also received participation rights in any future equity or equity linked offerings by the Company, 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 Company 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 Company. The Company issued an aggregate of 33,500,000 ordinary shares at a price of C$0.34 ($0.26) per share, for aggregate gross proceeds in whole dollars of C$11,390,000 ($8,803,048). Share issuance costs in whole dollars of $129,315 were recorded.

15. SHARE-BASED COMPENSATION

Restricted Stock Unit Plan

On June 23, 2016, the shareholders approved the Company'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 Company 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:

	Number of RSU's	Weighted Average Award Price
Balance as of December 31, 2015	-	$ -
Granted	6,078,400	0.30
Expired	(649,428)	0.30
Balance as of December 31, 2016	5,428,972	$ 0.30
Granted	7,783,500	0.28
Expired	(1,689,628)	0.29
Vested and redeemed	(1,391,080)	0.30
Balance as of December 31, 2017	10,131,764	$ 0.29

During the years ended December 31, 2017 and December 31, 2016, $879 and $518 were included in employee benefits expense and $458 and $150 were capitalized in development assets, respectively.

Stock Option Plan

The Company's employee share option plan grants options to employees, directors and service providers of the Company to purchase Ordinary Shares of the Company. In accordance with terms of the employee share option plan, the exercise price of the granted options shall be determined at the time the option is granted provided that such price shall be not less than the market price of the Ordinary Shares. Share options granted under the plan carry no rights to dividends and no voting rights.

Each of the Company's share options is convertible into one ordinary share of the Company. Share options may be exercised at any time from the date of vesting to the date of their expiry.

(expressed in thousands of US Dollars, unless otherwise stated)

Charges in relation to equity settled share-based compensation are credited to an "Employee share option plan reserve", therefore no liabilities have been recorded in respect of these plans.

The following summarizes the outstanding share options granted under the employee share option plan:

	Number of Options		Weighted Average Exercise Price
Balance as of December 31, 2015	6,900,000	$	0.74
Granted	240,000		0.28
Expired	(1,380,000)		1.32
Balance as of December 31, 2016	5,760,000	$	0.68
Granted	-		-
Expired	(190,000)		0.56
Balance as of December 31, 2017	5,570,000	$	0.65

Options were priced using the Black-Scholes Option Pricing Model using the following assumptions:

	As of December 31, 2017	As of December 31, 2016
Expected volatility	-	77%
Expected option life in years	-	5
Risk free rate	-	0.72%
Dividend yield	-	0%
Forfeiture rate	-	0%

For the years ended December 31, 2017 and December 31, 2016 respectively, $79 and $229 were included in employee benefits expense in the consolidated statement of loss and comprehensive loss, respectively.

The share options outstanding and exercisable as of December 31, 2017 and December 31, 2016 respectively had a weighted average remaining contractual life of 1.74 years and 2.65 years.

	Outstanding options				Exercisable options			
Range of exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price		Number exercisable	Weighted average remaining life (years)	Weighted average exercise price	
$0 to $0.8 (CAD$0-$1.00)	3,280,000	2.16	$	0.49	2,576,664	2.12	$	0.51
$0.81 to $1.6 (CAD$1.01-$2.00)	2,290,000	1.31	$	0.89	2,290,000	1.31	$	0.89
	5,570,000	1.81	$	0.65	4,866,664	1.74	$	0.69

(expressed in thousands of US Dollars, unless otherwise stated)

16. EMPLOYEE SALARIES AND BENEFITS EXPENSE

	For the year ended December 31,			
		2017		2016
Salaries and other compensation	$	3,327	$	3,058
Share-based compensation		958		747
	$	4,285	$	3,805

17. GENERAL AND ADMINISTRATIVE EXPENSE

	For the year ended December 31,			
		2017		2016
Professional fees	$	1,574		1,532
Travel		715		687
Investor and public relations		277		300
Consulting and contractors		304		133
Other		372		548
	$	3,242	$	3,200

Certain of the 2016 amounts have been reclassified to conform to current year presentation.

18. OTHER EXPENSES, NET

	For the year ended December 31,			
		2017		2016
Foreign currency loss (gain)	$	(1,088)	$	227
Gain on disposal of equipment		(5)		-
Other losses, net		(4)		628
	$	(1,097)	$	855

19. INCOME TAXES

The Company reported current income tax expense of $27 for the year ended December 31, 2017 in the consolidated statements of profit and loss.

(expressed in thousands of US Dollars, unless otherwise stated)

	For the year ended December 31, 2017	2016
Accounting income (loss) for the year	$ (24,126)	$ 2,263
Applicable tax rate	20.00%	20.00%
Income tax expense (benefit) at statutory rate	(4,821)	$ 453
Increase (decrease) attributable to:		
Foreign tax rate differential	330	222
Tax-exempt and non-deductible items	4,464	(473)
Change in deferred tax assets not recognized	301	181
Other permanent differences	(246)	(382)
Income tax expense (benefit)	$ 27	$ -

As of December 31, 2017, the Company had estimated available Armenian operating loss carry forwards of AMD2,660,700,000 ($5.5 million USD) which expire between 2018 and 2022, and estimated available Georgian operating loss carry forwards of GEL4,685,900 ($1.8 million) which expire between 2018 and 2022. Management believes that sufficient uncertainty exists regarding the realization of the deferred tax assets associated with these operating loss carry forwards such that they have not been recognized in the consolidated statements of financial position. The tax benefits not recognized reflect management's assessment regarding the future realization of these tax assets and estimates of future earnings and taxable income in these jurisdictions as of December 31, 2017.

The Tax Cuts and Jobs Act ("the Act") was enacted on December 22, 2017, which changes U.S. income tax law. The Company has not recognized any U.S. deferred taxes to date, and accordingly the Act did not impact current year income tax expense since no re-measurement of deferred taxes was required. Management expects that the most significant impact of the Act on the Company's future operating results will be the reduction of the U.S. corporate income tax rate from 35% to 21%. The Act will affect the Company's income tax expense on a prospective basis beginning in 2018.

20. NET PROFIT (LOSS) PER SHARE

	For the year ended December 31, 2017	2016
Net profit (loss)	$ (24,153)	$ 2,263
Weighted average shares outstanding	704,385,899	484,677,883
Net profit (loss) per share	$ (0.03)	$ 0.00
Net profit (loss) per share - fully diluted	$ (0.03)	$ 0.00

The treasury stock method assumes that all options and restricted stock units have been converted in determining fully diluted profit (loss) per share if they are in-the-money, except where such conversion would be anti- dilutive.

21. FINANCIAL RISK MANAGEMENT

As of December 31, 2017, the Company's financial instruments consist of cash and cash equivalents, restricted cash, other receivables, the rehabilitation prepayment, accounts payable, accrued liabilities, debt and derivative contracts. The Company estimates that the fair values of these items approximate their carrying values at December 31, 2017 and December 31, 2016.

The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

Capital Management

The Amulsar Gold Project is in the development stage, as such, the Company is dependent on external financing to fund its activities. The Company manages its capital structure and adjusts it based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, incur, repay or restructure debt, and acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Capital is comprised of the aggregate of total equity attributable to owners, accounts payable and accrued liabilities, stream liability and debt. As of December 31, 2017, and December 31, 2016, the Company’s equity was $179,627 and $187,921, accounts payable and accrued liabilities was $37,466 and $5,905, a stream liability and debt, net of unamortized debt issuance costs of $188,714 and $71,250, respectively.

The capital required for the development of the Amulsar Gold Project was raised through the issuance of ordinary shares and associated warrants, deposits received in connection with the stream liability, and proceeds from debt. The net proceeds raised are used to advance the development of the Amulsar Gold Project and provide sufficient working capital to meet the Company’s ongoing obligations. Access to available funds are subject to satisfaction or waiver of certain conditions.

The Company has entered into debt arrangements as discussed in Note 11. Should the Company need additional funds for the completion of the Amulsar Gold Project, the Company may be able to issue additional shares, negotiate additional funding from the stream or debt instruments, or incur additional debt subject to market conditions. However, the Company’s Financing Agreements limit the amount of additional indebtedness. Consent of certain lenders would be required to increase the stream liability or the debt limitation.

Financial risk management

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments. This note presents information about the Company’s exposure to each of these risks, the Company’s objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates or commodity prices, will affect the value of the Company’s financial instruments.

(i) Currency Risk - Currency risk is the risk that the fair value of, or future cash flows from, the Company’s financial instruments will fluctuate because of changes in foreign exchange rates. The Company’s functional currency is the United States dollar and its primary operations are in Armenia.

(expressed in thousands of US Dollars, unless otherwise stated)

The Company's net assets and liabilities are predominately held in US dollars, Armenian drams, Canadian dollars and the Euro. The sensitivity analysis below indicates an influence on net income where the US dollar strengthens 10% against the relevant currency, resulting in a loss of foreign currency exchange. If the US dollar weakens, an opposite impact on net income would be realized.

	For the year ended December 31,	
	2017	2016
Armenian dram	$ (2,930)	$ (364)
Canadian dollar	(4,992)	(1,347)
Euro	73	(384)
	$ (7,849)	$ (2,095)

The Company's currency risk policy is to hold funds primarily in the US Dollar, with funds held in the Armenian dram, the Canadian Dollar and the Euro roughly in proportion to expected future expenditure over the next quarter.

(ii) Interest rate risk - Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. The Company's exposure to interest rate fluctuations is due primarily to its long-term debt, which have interest rates based on LIBOR. The Company has not entered into any agreements to hedge against unfavorable changes in the LIBOR rate. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on long-term debt.

Advances from the Term Loan bear interest at LIBOR plus 6.5% (subject to a minimum of 1%) and advances from Ameriabank Term Facility bear interest at LIBOR plus 8.75%. Advances under the ING Term Facility bear interest at LIBOR plus 2.95% and advances under the Cat Term Facility bear interest at LIBOR plus 4.5%.

Sensitivity to a 1% change in interest rates for debt with all other variables held constant as of December 31, 2017, would affect the Consolidated Statements of Profit and Loss and Comprehensive Profit and Loss by $1,300 in 2017 and $600 in 2016, before capitalization to Mineral Properties.

The Company deposits cash into fully liquid bank business accounts. As such, the Company does not consider its interest rate risk exposure to be significant as of December 31, 2017 with respect to its cash and cash equivalent and restricted cash positions.

(iii) Commodity price risk - The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions. There is no assurance that a profitable market will exist for gold and silver produced by the Company.

The financial instruments impacted by commodity prices are the embedded derivatives related to the Stream Agreement and the Offtake Agreement. See Note 12.

As of December 31, 2017, no gold or silver ounces had been delivered under these contacts. See Note 12 for the impact of a 10% appreciation or depreciation of gold or silver prices on the embedded derivatives.

Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk is primarily liquid financial assets including cash and restricted cash. The Company has a concentration of cash at a major Canadian bank, however

(expressed in thousands of US Dollars, unless otherwise stated)

management considers its credit risk on cash and cash equivalents to be limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

As the Company has no revenue or trade receivables, management considers this credit risk as low. Advances are paid to major suppliers primarily relating to local construction companies for the development of the Amulsar project. Payment of these deposits is considered by management on a case by case basis. The VAT receivables and rehabilitation pre-payments are with the Republic of Armenia. The VAT will be refunded in future periods.

The below table shows the Company's balances as of December 31, 2017 and 2016:

	For the year ended December 31,	
	2017	2016
Advances to contractors	$ 19,804	$ 3,727
VAT Receivables	33,461	4,329
Rehabilitation and monitoring prepayment	1,234	955
	$ 54,499	$ 9,011

During the years ended December 31, 2017 and 2016, there were no material impairment provisions required for any of the financial assets. There are no material financial assets that the Company considers past due. The carrying amount of financial assets recorded in the consolidated financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, to the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity or debt funding. The Company's liquidity may be adversely affected if its access to the capital and debt markets are hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the company. To date, the Company has relied on shareholders, advances under the stream, and debt funding to finance its operations and development of the Amulsar Gold Project. The Company's ability to settle borrowings and other long-term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

Access to funds under the current financing arrangements is subject to meeting certain conditions. In addition, the Company will require additional funds from other sources necessary to meet its development obligations. There is no assurance that the Company will be able to meet the conditions at the time funds are required or arrange any additional sources of funding, therefore liquidity risk is present until such a time as the conditions are satisfied and additional funding is arranged.

The ultimate responsibility for liquidity risk rests with the Board of Directors, which has designed an appropriate risk management framework for the management of the Company's short, medium and long-term funding requirements.

The Company's cash and cash equivalents are held in fully liquid bank accounts which are available on demand by the Company.

The Company's financial obligations consist of accounts payable and accrued liabilities, the stream liability, debt, and a provision for restoration and rehabilitation. During 2016, the advance under stream was derecognized and replaced with the stream liability. The stream liability consists of a defined delivery obligation of ounces of gold and silver (6.75% of refined gold ounces up to an aggregate 142,454 ounces and 100% of refined silver ounces, up to an aggregate of 694,549 ounces) over an estimated ten years. See Note 11.

(expressed in thousands of US Dollars, unless otherwise stated)

Maturity of the Company's financial liabilities as of December 31, 2017 and December 31, 2016 are as follows:

	For the year ended December 31, 2017			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 37,466	$ -	$ -	$ 37,466
Debt and interest	15,684	153,293	19,737	188,714
Provisions	-	-	8,086	8,086
	$ 53,150	$ 153,293	$ 27,823	$ 234,266

Fair value of financial assets and liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See Note 12.

22. RELATED PARTY TRANSACTIONS

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

Related parties include the Board of Directors, key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The non-executive members of the Board of Directors do not have employment or service contracts with Lydian International Limited and neither are they entitled to any termination benefits. None of the directors are entitled to pension benefits.

Compensation awarded to key management for the periods indicated below was as follows:

	For the year ended December 31,	
	2017	2016
Salaries and other compensation	$ 1,646	$ 1,784
Share-based compensation	648	494
	$ 2,294	$ 2,278

23. COMMITMENTS

Leases

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

(expressed in thousands of US Dollars, unless otherwise stated)

	As of December 31, 2017	2016
Up to one year	$ 1,699	$ 1,933
More than one year and not later than five years	6,303	5,597
More than five years	8,735	8,265
	$ 16,737	$ 15,795

Construction Contracts

The Company has entered into key equipment supply and major earthworks contracts for construction of Amulsar. The contracts provide for termination provisions common to the industry. The provisions generally provide payment for i) the reasonable, direct, documented costs incurred as a result of such early termination, ii) if the contract is paid on a cost reimbursable basis, the amount owed for work performed to the termination date; or iii) if the contract is on a unit price or lump sum basis, an amount that is proportionate to the number of units completed or to the percentage of the work that has been completed as of the termination date as compared to the total work that was to have been completed. Commitments as of December 31, 2017 were approximately $50 million.

Rehabilitation Payments

In May 2016, Lydian Armenia signed an amended Mining Right with the Ministry of Energy, Infrastructure and Natural Resources of Armenia. Under the agreement, Lydian Armenia previously made payments to the Armenian Government as a guarantee for post-mining environmental rehabilitation and 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 AMD 121.9 million, or $252 over thirteen years commencing in 2016, and the remainder of the monitoring will be paid in equal installments of AMD 16.6 million, or $34, over thirteen years commencing in 2016. In addition, Lydian Armenia is committed to invest annually AMD 61.0 million, or $126 after mine closure for workforce social mitigation and AMD 61.5 million, or $127 for adjacent communities' social-economic development. The rehabilitation guarantee will be refunded to the Company after mine closure when rehabilitation is completed and accepted by the Armenian Government.

24. CONTINGENCIES

Newmont Transaction

On April 23, 2010, the Company purchased all of Newmont's interests in the Company's joint venture, which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% net smelter royalty ("NSR"). However, as provided for in the purchase agreement, Lydian has exercised its option to terminate the 3% NSR and in lieu thereof, elected the quarterly payment option to 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.

These potential payments do not meet the definition of an obligation as a triggering event had not occurred as of December 31, 2017 and, therefore, are not recognized in the consolidated Statements of Financial Position.

25. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company borrowed an additional $56 million including $30 million on the Term Loan, $7 million on the SEK Term Facility and $19 million on the CAT Term Facility.

The consolidated financial statements for the year ended December 31, 2017 have been approved for issue by the Board of Directors on March 27, 2018 and subsequent events have been reviewed through the date of approval.