LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2018

August 14, 2018

Contents

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian" or the "Company") was prepared as of August 14, 2018. It is intended to supplement and complement the Company's unaudited condensed consolidated financial statements and related notes as of and for the three and six-month periods ended June 30, 2018. Financial information was prepared in accordance with IFRS as issued by the IASB. These unaudited condensed consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2017. All monetary figures are expressed in thousands of US Dollars, unless otherwise indicated. Refer to the Glossary of Defined Terms for definitions of capitalized terms and acronyms used in this MD&A.

Lydian's business is subject to numerous risks and uncertainties that should be considered when reading this MD&A and other disclosures of the Company.

Forward-looking statements are included in the MD&A. In addition, measured, indicated and inferred mineral resources are based on terms recognized by Canadian regulations. Therefore, readers are encouraged to read the Risk Factors and Cautionary Statements section of this MD&A.

Additional information about Lydian is included in the AIF available at www.lydianinternational.co.uk and the SEDAR website at www.sedar.com.

SECOND QUARTER 2018 HIGHLIGHTS AND RECENT DEVELOPMENTS

Lydian made good progress in May and early June 2018 on major construction and operational readiness activities at its 100%-owned Amulsar Gold Project in Armenia, despite sporadic illegal blockades. Importantly, engineering was completed in all areas and construction reached approximately 80% completion.

Since late June, illegal blockades have been in place at Amulsar and continue to prevent the Company and its contactors from entering the Amulsar site. Armenian Prime Minister Pashinyan's appeal instructing the protestors to discontinue the road blockades has shown limited results. Lydian and several other stakeholders have continued to petition local and national government officials to enforce the law by removing the blockades and allowing the Company to resume construction activities. To date, the government has not acted on these additional requests.

To mitigate costs during the ongoing blockades, all construction contractors have been idled and termination notices have been provided to 30% of the Company's workforce. Additional cost reductions are being considered. Prior to the start of the current blockades, management targeted for gold production to commence in Q4 2018, with ramp-up continuing into 2019. The illegal blockades will affect this schedule and the required capital to complete construction of the Amulsar Gold Project.

Financing – During Q2 2018 and to the date of this report, additional debt draws of $33.1 million were received. Management continued its focus to complete a restructuring of its funding instruments. Through these revisions, management is currently seeking a net cash flow benefit in excess of $40 million. This will reduce Lydian's overall remaining funding requirement, but additional sources of funding will be required through issuance of equity.

Primary Crushing Area

Engineering – Engineering is 100% complete, with design work for the truckshop and wash bay being completed during Q2 2018.

Mine Operations – Pre-production mining activities continued during Q2 2018, with construction of the main mine haul road to the primary crusher, development of the run-of-mine pad at the primary crusher, and development of mining benches in the Tigranes pit.

Materials Handling System – The primary and secondary crushers have all been placed on their foundations, as has the apron feeder and vibrating grizzly at the primary crusher facility. Installation of the mechanicals in the screen house is complete with the exception of final adjustments and torqueing of fasteners. The overland conveyor drive house mechanicals have been installed, as have all the concrete sleepers and over 95% of the overland conveyor galleries. The coarse ore stockpile/reclaim system is structurally complete and the contract has been awarded for the fine ore stockpile/truck load-out facility.

Conveyor Corridor - Bridge Section

Heap Leach Facility – Liner installation commenced for the process and storm ponds during the quarter. Earthworks on the heap leach pad are almost complete and will be lined following the process ponds.

Gold Processing Facilities – The ADR Plant mechanicals have been completed and work started on installing piping, electrical, and instrumentation. The foundations for the reagent storage facility adjacent to the ADR Plant are nearly complete. The refinery building is over 90% finished.

ADR Plant

Infrastructure – The main substation and 35kV distribution system are complete and ready to be energized once all the e-houses are placed and pre-commissioned. The 110kV line has been upgraded by the utility company and all preparations are in place to connect to the main substation. The contract for the construction and installation of the process and potable water system has been awarded. The gas line has been completed to the battery limits of the ADR plant and mine shop. Mine shop foundations have been completed and the building is being erected. The truck wash bay foundations are nearing completion.

Operational Readiness – Recruitment and training of mine and process operators continued. The mine department utilized shovel and truck simulators prior to in-field training on equipment. The quality and aptitude of the applicants were better than expected. The curriculum for process operator training has been established.

Sustainability – In April 2018, the Company reached 2,000,000 man hours without a lost time injury. The independent environment and social consultant completed its audit in June covering areas of ARD, cyanide systems, environmental monitoring, site-wide water, surface and ground water management, dust management, and other environmental management systems. Management plans have been adjusted accordingly.

Following the initiative by the new administration to undertake a comprehensive environmental audit of Armenia's mining sector, Lydian proposed it be the first company to be so audited. The Environmental and Mining Inspection Agency commenced its site audit of the Amulsar Project in July 2018. The audit was completed in early August 2018. The official findings of the audit have yet to be disseminated.

Separately, a fact-finding working group was established by Prime Ministerial decree with 24 nominated members and augmented by 18 representatives of civil society to review impacts attributed to mining activities and performance with respect to international best practices. The working group formally commenced its work in August 2018. As mandated by the decree, the working group is to complete its findings in September 2018.

Appointments – Mr. Russell Ball was appointed as director of Lydian on June 28, 2018. Mr. Ball is a former Executive Vice President and Chief Financial Officer of Goldcorp Inc. and Newmont Mining Corporation. Mr. Ball has over 20 years' experience in the mining industry and currently serves as a director on the Boards of Trevali Corporation, Columbus Gold Corporation, and Allegiant Gold Limited.

Howard Stevenson resigned as President and Chief Executive Officer of Lydian effective May 1, 2018. Mr. João Carrêlo was appointed as President and Chief Executive Officer of Lydian effective May 1, 2018. Mr. Carrêlo is a senior mining executive with over 34 years of international experience in the mining and resources sectors. He currently serves as a non-executive director on the boards of TMAC Resources, Inc. and Lucky Minerals, Inc. His experience includes the management of underground and open pit projects and operations, with exposure to precious metals, base metals, coal and industrial minerals in Latin America, Europe, India, and Africa.

ABOUT LYDIAN

Lydian is a gold developer focusing on construction at its 100%-owned Amulsar Gold Project, located in south-central Armenia. Amulsar will be a large-scale, low-cost operation with gold production targeted to average approximately 225,000 ounces annually over an initial 10-year mine life. Open pit mining and conventional heap leach processing contribute to excellent scale and economic potential. Estimated mineral resources contain 3.5 million measured and indicated gold ounces and 1.3 million inferred gold ounces as outlined in the Q1 2017 Technical Report. Existing mineral resources beyond current reserves and open extensions provide opportunities to improve average annual production and extend the mine's life. Lydian is committed to good international industry practices in all aspects of its operations including production, sustainability, and corporate social responsibility.

The Company was incorporated under the Canada Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the Company were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Company 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 Company was continued under the laws of Jersey from the Province of Alberta. The registered office of Lydian is located at Bourne House, 1st Floor, Francis Street, St. Helier, Jersey, JE2 4QE, Channel Islands. The Company, through two of its subsidiaries, also maintains offices at 5655 South Yosemite Street, Suite 400, Greenwood Village, Colorado, 80111, USA and Vazgen Sargsyan Street, 26/1, 7th Floor, Yerevan 0010, Republic of Armenia.

The Company's Ordinary Shares began trading under the symbol LYD on January 10, 2008. The Public Offering - Warrants began trading under the symbol LYD.WT on May 26, 2016, and subsequently ceased trading on November 27, 2017.

2018 OUTLOOK

The illegal blockades and related construction schedule slippages have impacted the Company's ability to achieve some of its 2018 milestones. Achievement of the previously stated milestones are subject to the removal of the blockades, access to site, and resumption of construction activities:

- Completing construction of Amulsar;
- Commission processing facilities, including material handling systems and gold recovery facilities;
- Achieving first gold production;
- Advancing safety, health, environmental initiatives commensurate with the Company's transition to operations; and

Achievement of commercial production, defined as 60% of nameplate capacity, originally projected for 2018 was impacted as a result of the on-going blockades.

SELECTED FINANCIAL INFORMATION

Results of Operations

$ in thousands (except per share data)	For the three months ended June 30, 2018	2017	For the six months ended June 30, 2018	2017
Interest income	$ 98	$ 119	$ 306	$ 285
Salaries, general and administrative expenses	2,409	1,785	4,640	3,658
(Gain) loss on financial instruments at fair value	(7,207)	696	(5,006)	11,017
Other (income) expense, net	437	(770)	407	(897)
Tax expense	6	-	8	-
Net profit (loss)	4,453	(1,592)	257	(13,493)
Net profit (loss) per share (basic and diluted)	$ 0.01	$ (0.00)	$ 0.00	$ (0.02)

For the three months ended June 30, 2018 and 2017

The Company had no revenues other than interest income from bank deposits for the three months ended June 30, 2018 and 2017. Interest income is directly related to the cash balance on hand and applicable interest rate during the respective periods.

Salaries, general and administrative expenses for the three months ended June 30, 2018 increased $0.6 million or 35% over the same period in 2017 primarily due to a one-time severance cost and an increase in corporate personnel. General and administrative costs remained flat.

The (gain) loss on financial instruments at fair value include the Company's derivative assets and derivative liabilities associated with the Financing Transactions. The key assumptions included the derivative models are the gold spot price, gold futures prices, risk-free interest and LIBOR rates and the Company's production schedule and debt repayment schedules. Changes in these assumptions and the passage of time impact the fair value at each reporting period. For the three-month period ended June 30, 2018 the gain on financial instruments is primarily driven by the decline in the gold spot price from $1,322 per ounce at March 31, 2018 to $1,251 per ounce at June 30,2018 as well as declines in the gold forward curves. The loss in fair value for the same period in 2017 was driven by increasing gold spot prices and forward curves.

Other (income) expense, net of $0.4 million for the three-months ended June 30, 2018 is primarily due to foreign exchange losses as a result of the weakening of the Armenian Dram and the Euro against the US Dollar. The gain in the same period in 2017 was primarily a result of changes in the foreign currency exchange rates of the Canadian Dollar, the Euro and the Armenian Dram against the US Dollar.

For the six months ended June 30, 2018 and 2017

The Company had no revenues other than interest income from bank deposits for the six months ended June 30, 2018 and 2017. Interest income is directly related to the cash balance on hand and applicable interest rate during the respective periods

The (gain) loss on financial instruments at fair value include the Company's derivative assets and derivative liabilities associated with the Financing Transactions. The key assumptions included the derivative models are the gold spot price, gold futures prices, risk-free interest and LIBOR rates and the Company's production schedule and debt repayment schedules. Changes in these assumptions and the passage of time impact the fair value at each reporting period. For the three-month period ended June 30, 2018 the gain on financial instruments is primarily driven by the decline in the gold spot price from $1,306 per ounce at December 31, 2017 to $1,251 per ounce at June 30, 2018 as well as declines in the gold forward curves. The loss in fair value for the same period in 2017 was driven by increase in the gold spot price from $1,150 per ounce at December 2016 to $1,247 per ounce at June 30, 2017.

Salaries, general and administrative expenses for the six months ended June 30, 2018 increased $0.9 million or 27% over the same period in 2017 due to a one-time severance cost, an increase in corporate personnel. General and administrative costs remained flat.

Other (income) expense, net of $0.4 million for the six-months ended June 30, 2018 is primarily due to foreign exchange losses as a result of the weakening of the Armenian Dram and the Euro against the US Dollar. The gain in the same period in 2017 was primarily a result of changes in the foreign currency exchange rates of the Canadian Dollar, the Euro and the Armenian Dram against the US Dollar.

There were no extraordinary transactions, nor any significant end of reporting period adjustments during the periods presented.

Summary of Balance Sheet Data

The following table summarizes the Company's financial position:

	As of			
		June 30, 2018		December 31, 2017
Current assets	$	18,908	$	55,964
Mineral property, plant & equipment, net		447,327		360,789
Other long term assets		49,937		50,230
Total assets	$	516,172	$	466,983
Current liabilities	$	54,143	$	53,150
Long term liabilities		247,233		194,777
Derivative liabilities		33,612		39,429
Equity		181,184		179,627
Total liabilities and equity	$	516,172	$	466,983

Currents assets consist primarily of cash, advances to suppliers and materials and supplies inventory. Cash and restricted cash decreased $37.2 million from December 31, 2017 due to cash expenditures for operations of $5.0 million and investing expenditures of $105.3 million, offset by cash provided from financing activities of $71.7 million and a minimal impact of foreign exchange changes.

The original projected cost of the Amulsar Gold Project was $370.0 million. Project to date expenditures have been $350.2 million with the current cost estimate at $440 million. The estimated costs have increased primarily due to geotechnical issues encountered at the site of the primary crusher and general construction delays. Construction expenditures for Amulsar for the six months ended June 30, 2018 were $87.3. Details for the six months ended June 30, 2018 and 2017, respectively, are as follows:

$ in millions	For the six months ended June 30, 2018	2017
General Project Costs	$ 6.9	$ 5.0
Infrastructure	2.5	2.2
Material Handling Systems	16.9	34.1
Heap Leach, ADR and Process Facilities	9.2	5.6
Site Services & Utilities	(0.8)	3.6
Indirect Costs	22.5	21.0
Owner's Costs	10.8	4.4
Mine Fleet	2.0	8.7
Other	1.9	-
Non-cash additions	15.4	6.9
	$ 87.3	$ 91.5
Certain amounts were reclassified to conform to current presentation		

Other noncurrent assets decreased by $0.3 million primarily due to additional refundable value added tax of $7.2 million driven by in-country construction expenditures, additional financing costs of $4.7 million associated with the guarantee on the ING Facility, offset by the reclassification of financing costs to debt of $11.4 million.

Current liabilities increased $0.9 million from December 31, 2017 due to debt maturities of $26.5 million, offset by a reduction in amounts owed to vendors of $25.5 million.

Noncurrent liabilities increased $52.5 million due to $78.6 million of draws under various debt arrangements, offset by the related financing costs and reclassification of the current portions of debt. The derivative liabilities decreased $5.8 million as the gold spot price declined from $1,306 per ounce at December 31, 2017 to $1,251 per ounce at June 30, 2018.

Equity increased by $1.6 million due to the recognition of share-based compensation of $1.3 million and the Company's comprehensive gain recognized for the six months ended June 30, 2018 of $0.3 million.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the six months ended June 30, 2018	2017
Cash and cash equivalents, beginning of period	$ 53,937	$ 137,196
Cash used in operations	(5,004)	(3,060)
Cash used in investing activities	(105,283)	(87,078)
Cash from in financing activities	71,731	23,777
Foreign exchange effect on cash	104	1
Cash and cash equivalents, end of period	$ 15,485	$ 70,836

Cash used in operations for the six months ended June 30, 2018 increased by $2.0 million compared to prior year due to increase in corporate personnel and a one time severance payment. Cash used in operations is related to corporate activities.

Cash used in investing activities increased $18.2 million over the same period in 2017 related to construction at Amulsar. The investing activities for 2018 relate to payments to vendors for earthworks, concrete, steel, electrical and installation work at the crushing and screening facility and conveyor, fabrication of the ADR Plant and truck shop, associated construction management costs and indirect costs. Prior years expenditures were primarily engineering and infrastructure related.

Cash provided by financing activities increased $48.0 million over the same period in 2017 due the Company drawing on its debt facilities to fund construction of Amulsar.

SUMMARY OF QUARTERLY RESULTS

A summary of the Company's results of operations for the eight most recently completed quarters is:

	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ 4,453	$ (4,196)	$ (7,602)	$ (3,058)
Net profit (loss) per share (basic and diluted)	$ 0.01	$ (0.01)	$ (0.01)	$ (0.00)
	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ (1,592)	$ (11,901)	$ 21,536	$ (3,947)
Net profit (loss) per share (basic and diluted)	$ (0.00)	$ (0.02)	$ 0.03	$ (0.01)

The Company's results of operations are primarily impacted by the change in fair value on its derivative instruments and its general and administrative expenses. There are no significant impacts of seasonality of the Company's results of operations.

OUTSTANDING SHARE DATA

A summary of the Company's share capital is:

	As of August 14, 2018	As of June 30, 2018	As of December 31, 2017
Ordinary shares	755,633,452	755,633,452	751,964,633
Warrants	5,000,000	5,000,000	5,000,000
Stock options	5,320,000	5,320,000	5,570,000
Restricted stock units	12,753,605	13,314,038	10,131,764

LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements were prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. Continuation as a going concern is dependent upon the resumption of construction once the illegal blockades are removed, the Company's ability to successfully fund its cash obligations from external sources until construction is complete, and sufficient cash flow from operations is generated. Potential external sources of funding include, but are not be limited to, continuing advances under existing funding instruments, restructuring of scheduled debt repayments, additional borrowings, sales of additional stream and royalty interests, and issuances of additional equity.

Although the Company has been successful in obtaining sufficient financing to date, there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations. These circumstances indicate the existence of material uncertainties that may create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write downs of the carrying values of certain assets.

Working capital as of June 30, 2018 was $(35.2) million compared to $2.8 million as of December 31, 2017. This decrease of $38.0 million resulted from activities that included receipt of net proceeds from financing activities of $71.7 million, utilization of cash for investing activities of $105.3 million, with construction at Amulsar representing most of this amount, and $5.0 million of cash expended for operating activities. Working capital was also affected by a $26.5 million increase in the current portion of stream liability and debt, offset by a decrease in accounts payable and accrued liabilities of $25.5 million.

Pre-operational costs at Amulsar are estimated at approximately $440 million. This contemplates production commencing in Q4 2018 and ramp-up continuing into 2019. Given the ongoing illegal blockades, management expects this schedule will be delayed. As such, Lydian anticipates an additional funding requirement of $85 million plus an undetermined amount that will be required for costs incurred until construction resumes. This estimate is sensitive to several key risk factors, including: a) the ultimate duration of the delay and management's ability to limit costs during this period, b) potential further changes to the schedule to achieve production and ramp up to a point of positive cash flow, c) additional pre-operational costs, and d) upcoming contractual commitments. Management continues to assess its funding requirements considering these and other risk factors.

To meet its working capital requirements throughout the remaining duration of construction at Amulsar and until Lydian becomes net cash flow positive, the Company is reliant upon continuing inflows of funds from its current funding instruments including the Term Facility and equipment financing facilities. Management is also seeking to restructure and modify these funding instruments to defer certain debt repayments, increase borrowings under the equipment financing facilities, and increase funding from the Stream Agreement. Through these revisions, management is currently seeking a net cash flow benefit in excess of $40 million. This will reduce Lydian's overall remaining funding requirement, but additional sources of funding will be required through issuance of equity and through other potential sources. Consideration is also being given to seeking a less restrictive alternative to the cost overrun facility. Management expects the additional funding sources will be dilutive to existing shareholders.

Should funds not be available when needed or for less than required, Lydian may be forced to curtail or suspend construction. There can be no assurance that the Company will be able to provide for such additional funding requirements to the level required or within the time periods necessary to continue construction as planned.

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

The ability to and satisfactorily fulfill the conditions of the Financing Transactions, equipment financing facilities, and other potential financing arrangements, draw upon such sources when needed, and meet other obligations of the Company when due is uncertain.

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

While the Company believes it can accomplish its stated business objectives to explore for and develop mineral properties, there are a number of inherent risks. See Risk Factors in the Company's AIF for factors that may impact the timing and success of the Company's planned activities in connection with Amulsar.

The Company has made certain expenditure, performance and timing commitments to the licensing authorities for the Company'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.

Use of Proceeds

The following table presents the use of proceeds for construction of Amulsar from the Financing Transactions, the equipment financing facilities with Ameriabank, Cat Financial, ING Bank, the EBRD Private Placement and exercise of the Public Offering - Warrants.

In Millions		Original Estimated Use of Proceeds		Actual use of proceeds through June 30, 2018
Direct costs	$	161.8	$	164.1
Construction indirect costs		32.5		42.5
Engineering, procurement, construction management		32.9		48.4
Owner's cost		35.2		20.4
Pre-production working capital		10.0		20.5
Mine fleet and mobile equipment		49.8		42.6
Freight		8.3		9.3
Contingency		37.6		-
Drilling		1.8		2.4
Total construction costs	$	369.9	$	350.2
Contingency is allocated out to the areas as needed.				

The revised projected cost of Amulsar is $440.0 million. The Company is currently seeking additional sources of funding above and beyond the Financing Transactions to complete the construction of Amulsar.

TAXES PAID IN ARMENIA

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

The following information is provided as part of the Extractive Industry Transparency Initiative to report payments to agencies and representatives of those governments as a first step towards a more accountable system for the management of natural resources.

	For the three months ended June 30,				For the six months ended June 30,			
		2018		2017		2018		2017
State duty on mining and exploration license		-		-		21		21
Customs duties and fees		331		324		588		345
Land rentals in local communities		231		199		423		414
Other taxes and duties		-		-		11		7
	$	562	$	523	$	1,043	$	787

The amounts above were paid in Armenian drams and converted to the US dollar using the annual average exchange rate for the reporting period.

FINANCIAL AND OTHER INSTRUMENTS

Financial instruments (assets)

The Company's financial assets include cash and cash equivalents, restricted cash, and derivative assets which are carried at fair value.

Financial instruments (liabilities)

The Company's financial liabilities include accounts payable and accrued liabilities, stream liability and debt that are carried at amortized costs, and derivative liabilities that are carried at fair value.

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 loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the reporting date.

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 makes adjustments 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 updates to estimates of capital and operating requirements, 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.

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 discussion 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.

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 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.

Though the Company currently has financing arrangements in place to meet a portion of its development obligations, access to these funds is subject to meeting certain conditions. There is no assurance that the Company will be able to meet the conditions at the time funds are required, therefore, liquidity risk is present until such a time as the conditions are satisfied.

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 US dollar and its primary operations are in Armenia. The Company's net assets and liabilities are predominately held in US dollars, Canadian dollars, Armenian drams and Euros. Any impact from changes in currency values, to the US dollar are recognized as foreign currency gains or losses in the condensed consolidated statement of loss.

(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 debt which has interest rates based on LIBOR. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on debt.

(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 Company has not hedged the price of any commodity at this time.

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 limits its exposure to credit risk on financial assets by investing cash with financial institutions of high credit quality.

On occasion, advances are paid to major suppliers relating to construction activities. The refundable and deferred VAT receivable and the rehabilitation advance payments are to the Republic of Armenia. The Company has reached an agreement with the Government of Armenia to off-set current amounts owed with respect to VAT and employee withholding against the refundable VAT receivable.

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).

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the six-month period ended June 30, 2018:

- $45.0 million loan draw from the Term Facility
- $7.5 million loan draw from ING Term Facility
- $26.1 million loan draw from Cat Term Facility

Subsequent to June 30, 2018 the Company drew $10.0 million on the Term Facility.

Off-Balance Sheet Arrangements

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% NSR. However, as provided for in the purchase agreement, on April 9, 2018 Lydian 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 $20.0 million, without interest, in 20 equal quarterly installments of $1.0 million each, 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 the triggering event has not occurred as of June 30,2018 and therefore are not recognized as a liability in the Company's condensed consolidated financial statements.

The Company does not have any other off-balance sheet arrangements.

COMMITMENTS

Debt

The table below outlines the maturities of the Company's debt maturities for the next five years.

	As of June 30, 2018	As of December 31, 2017
Up to one year	$ 42,202	$ 15,684
More than one year and not later than five years	200,649	153,293
More than five years	23,655	19,737
	$ 266,506	$ 188,714

The Company is currently in negotiation to restructure its debt repayments.

Leases

The Company leases office space, accommodations, and lands associated with the Amulsar Gold Project. Inclusive of certain cancelable land leases, rental obligations include:

	As of June 30, 2018	As of December 31, 2017
Up to one year	$ 2,342	$ 1,699
More than one year and not later than five years	6,645	6,303
More than five years	8,061	8,735
	$ 17,048	$ 16,737

Construction Contracts

The Company has entered into key equipment supply and major earthworks contracts for the 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 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 for construction activities as of June 30, 2018 were approximately $42.2 million.

RELATED PARTY TRANSACTIONS

Key management compensation, including board of directors fees is deemed a related party transaction, as outlined in the Management Information Circular and in Note 15 to the condensed consolidated financial statements for the period ended June 30, 2018.

CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

The Company's unaudited condensed consolidation financial statements are prepared in accordance with IFRS, including IAS 34, *Interim Financial Reporting.* The significant accounting policies applied and recent accounting pronouncements are described in Note 2 and Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2017. There have been no significant changes in the Company's accounting policies applied to the condensed consolidated financial statements for the period ended June 30, 2018.

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.

Significant judgments made by management and applied in preparing the condensed consolidated financial statements for the period ended June 30, 2018 are consistent with those applied and disclosed Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017.

Accounting Pronouncements

The accounting policies followed in these condensed consolidated financial statements were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2017, except for the following new standards, interpretations and amendments to standards and interpretations were issued and effective for the current reporting period:

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 evaluated this change in the standard and there was no impact from the adoption.

IFRS 2, *Share based payments* – In June 2016 the IASB issued an amendment clarifying the accounting treatment 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 were effective for annual periods beginning on or after January 1, 2018. The Company evaluated the change in this standard and there was no impact from the adoption.

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 not covered under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. Presently, IFRS 15 has no impact because the Company had no revenue from operations. The Company will apply the new standard and related disclosures upon commencement of production.

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning after January 1, 2019 and have not been early adopted. Pronouncements that are not applicable have been excluded from those described below.

IFRS 16, *Leases* – The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019. IFRS 16 may be applied before that date but only in conjunction with IFRS 15. The standard establishes principles to determine recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 and related interpretations. The Company is evaluating the effect of the standard on its financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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 Company 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.

Management of the Company 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 significant changes in the Company's ICFR that occurred during the period ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

RISK FACTORS

The Company faces significant risks and uncertainties, the mineral resource sector can be highly speculative in nature. Many of these can have material and adverse effects on the valuation of the Company's securities, cash flows, financial condition, results of operations, rights and interests, existing business activities, plans and prospects. Risk factors and additional information relating to the Company are discussed in the Company's most recent AIF and other filings available on SEDAR at www.sedar.com.

CAUTIONARY STATEMENTS

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 Company. 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”, “target” or the negative of these terms or other similar expressions are intended to identify forward-looking statements. In particular, information regarding: the Company’s development and construction activities at Amulsar; the Company’s future operating and production results and economic performance; the illegal blockades at the Amulsar site and potential cost reductions as a result; restructuring of funding instruments and potential funding through the issuance of equity; the Company’s capital costs in relation to Amulsar; the Company’s transition to operations at Amulsar, including progressing safety, health and environmental initiatives; the satisfaction or waiver of applicable conditions of certain Financing Transactions; the sufficiency of working capital and debt facilities to advance ongoing activities; the Company’s approach to sustainability, including the biodiversity programs; the expenditures, performance and timing commitments made by the Company to licensing authorities for the Company’s projects; the exposure to financial risks; the estimated mineral resources of Amulsar; potential future offerings and the expected use of proceeds from such offerings; the expected use of proceeds from the equipment financing, the EBRD Private Placement and the Financing Transactions; the Company’s ability to meet its gold and silver delivery obligations under the Stream Agreement; the impact of the Offering, the equipment financing and the Financing Transactions on the Company’s operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the anticipated economic and feasibility parameters of Amulsar; the expected cost and timing of construction and development of Amulsar, including the related key milestone dates and expected timing of first gold production; 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 Amulsar; the anticipated timing and success for the receipt of permits/licenses from the applicable authorities; the adjustment of the Company’s capital structure; the expected timing of delivery of key equipment; the anticipated key design features for the mining operations at Amulsar; and the application of certain accounting standards, 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 Company 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 Company 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, the Euro and the US dollar;
- the timing of the receipt of any outstanding regulatory and governmental approvals for the Company’s projects;
- the availability of financing for the Company’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 Amulsar;
- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;

- tax rates, including the allocation of certain tax attributed to Amulsar;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of Amulsar;
- that the 5% discount rate used to complete the Q1 2017 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 Company’s resource and reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based;
- the satisfaction or waiver of all conditions to the completion, effectiveness or availability, as the case may require, of each of the Financing Transactions;
- the receipt of funds under each of the Financing Transactions; and
- the Company’s ability to meet its gold and silver delivery obligations under the Stream Agreement.

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 Company's mine plan or profitability or to the Company's asset profile that might alter the allocation of tax attributes to Amulsar; 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 Company 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; availability of commercially acceptable financing when needed; abilty to generate sufficient positive cash flow from operations; the ability of the Company to meet its obligations when due; rising costs of labour, supplies, fuel, electricity and equipment; actual results of current exploration activities; uncertainties inherent to mining economic studies such as Q1 2017 Technical Report, including the risk that the assumptions underlying the Q1 2017 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 Amulsar. 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). In addition, the appointment of João Carrêlo as President and Chief Executive Officer of Lydian International Limited, effective May 1, 2018, occurred during the period when the Company was in the process of finalizing this report including the forward-looking statements contained herein. Prior to Mr. Carrêlo’s appointment, he had not been previously involved with the Company and, as such, his knowledge of the Company and his ability to independently assess the forward-looking statements and underlying assumptions contained in this report is necessarily limited given his brief tenure as President and Chief Executive Officer of the Company. 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 Company 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 Company 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 AIF and other filings available on SEDAR at www.sedar.com.

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 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.

GLOSSARY OF DEFINED TERMS

"*ADR Plant*" or "*ADR*" means the adsorption, desorption and recovery plant;

"*AIF*" means the annual information form of the Company dated March 27, 2018 for the year ended December 31, 2017;

"*Ameriabank*" means Ameriabank CJSC;

"*Ameriabank Term Facility*" means the $24 million secured credit facility, dated November 17, 2016, between Lydian Armenia and Ameriabank;

"Amulsar" or "*Amulsar Gold Project*" means Lydian's 100% owned gold project at Amulsar, located in south-central Armenia;

"C$" means Canadian dollar;

"Cat Financial" means Caterpillar Financial Services (UK);

"Cat Term Facility" means the $42 million secured credit facility, dated December 22, 2016, between Lydian Armenia and Cat Financial;

"*Company*" or "*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;

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

"*EBRD*" means the European Bank for Reconstruction and Development;

"EBRD Private Placement" means the private placement closed by the Corporation on August 15, 2016 with the EBRD, for an aggregate of 33,500,000 Ordinary Shares at a price of C$0.34 per share, for aggregate gross proceeds of C$11,390,000;

"*Financing Transactions*" means, collectively, the series of financing transactions in an aggregate amount of approximately US$325 million, as subsequently amended to $314 million, entered into between the Company, 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 Amulsar, and for corporate and working capital purposes;

"*IAS*" means International Accounting Standard;

"*IASB*" means the International Accounting Standards Board;

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

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

"*ING Bank*" means ING Bank N.V.;

"*ING Term Facility*" means a secured credit facility, dated February 8, 2017, between Lydian Armenia and ING Bank for a maximum principal amount of up to $50 million, which was amended on December 14, 2017;

"*Lydian Armenia*" means Lydian Armenia CJSC, formerly Geoteam CJSC, the Company's wholly-owned subsidiary which holds Amulsar.

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

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

"*Newmont*" means Newmont Overseas Exploration Limited;

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

"*NSR*" means net smelter royalty;

"*Offering*" means the offering completed on March 17, 2016, in connection with the Financing Transactions, 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, pursuant to the Corporation's final Short Form Prospectus dated March 11, 2016;

"*Offtake Agreement*" means the offtake agreement dated November 30, 2015 among Lydian Armenia, the Company, 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 Company;

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

"*Q1 2017 Technical Report*" means the "NI 43-101 Technical Report, Amulsar Updated Resources and Reserves, Armenia, dated March 21, 2017";

"Q1 2018" means the three-month period ended March 31, 2018;

"Q2 2018" means the three-month period ended June 30, 2018;

"*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;

"*Stream Agreement*" means the purchase and sale agreement (gold and silver) dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Stream Agreement is a componet of the Financing Transactions.
"*Subscription Receipts*" means the subscription receipts of the Company offered pursuant to the Short Form Prospectus, including, for greater certainty, the Over-Allotment Option;

"*Term Facility*" means the $160 million Term Facility Agreement, dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Term Facility is a component of the Financing Transactions;

"VAT" means value added tax

"*Warrants*" means a whole Ordinary Share purchase warrant of the Corporation (subject in each case to adjustment in certain circumstances) resulting from the three-quarters of on Ordinary Share purchase warrant issued in connection with the Subscription Receipts. Also described as Public Offering – Warrants.
Also described as Public Offering – Warrants.