LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2019

May 15, 2019

Contents

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS 1
HIGHLIGHTS 1
ABOUT LYDIAN 3
FIRST QUARTER AND RECENT DEVELOPMENTS 3
2019 OUTLOOK 5
SELECTED FINANCIAL INFORMATION 6
SUMMARY OF QUARTERLY RESULTS 9
OUTSTANDING SHARE DATA 10
LIQUIDITY AND CAPITAL RESOURCES 10
TAXES PAID IN ARMENIA 12
FINANCIAL AND OTHER INSTRUMENTS 12
SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS 15
RELATED PARTY TRANSACTIONS 16
CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES 16
DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING 17
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS 17
RISK FACTORS 17
CAUTIONARY STATEMENTS 19
GLOSSARY OF DEFINED TERMS 23

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian", the "Company" or the "Corporation") was prepared as of May 15, 2019. This MD&A supplements and complements the Company's unaudited interim condensed consolidated financial statements and related notes as of and for the three-month period ended March 31, 2019. Other relevant documents to be read with this MD&A include the Company's audited annual consolidated financial statements, the MD&A, and the Annual Information Form, all for the year ended December 31, 2018, which are available on the Company's website at www.lydianinternational.co.uk and the SEDAR website at www.sedar.com. Comparison herein is provided to the period ended March 31, 2018.

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. Financial information was prepared in accordance with IFRS as issued by the IASB. Measured, indicated and inferred mineral resources are based on terms recognized by Canadian regulations.

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. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from Management's expectations. Readers are encouraged to read the Risk Factors and Cautionary Statements included with this MD&A.

HIGHLIGHTS

Overview

First Quarter 2019 and recent developments include:

Illegal Blockades – The blockades continue at Amulsar, having been in place since June 22, 2018. As a result, two of Lydian's subsidiaries formally notified the Government of Armenia on March 11, 2019 of the existence of disputes with the Government of Armenia under the UK BIT and the Canada BIT.

Third Audit – In March 2019, the Government of Armenia commenced its third-party assessment of the Amulsar Gold Project's environmental impact on water resources, geology, biodiversity, and water quality. The duration of this audit is expected to be 12 to 16 weeks. The Company does not accept the need or legal basis for this audit but is cooperating fully with this audit as it progresses.

Court Rulings – Armenian courts have recently issued two rulings in Lydian's favour:

- On April 10, 2019, the Administrative Court of the Republic of Armenia ruled in favour of Lydian and instructed the Armenian Police to remove trespassers and their property from the Company's Amulsar Project site. The Administrative Court's ruling was effective May 10, 2019 unless appealed prior to that date. The Company is not aware of any appeal having been filed during the prescribed period and has requested official acknowledgement from the Administrative Court that the order is effective. Following receipt of this acknowledgement, Lydian will demand enforcement of the order if not already acted upon by the Armenian Police; and

- The Criminal Court of Appeal of the Republic of Armenia ruled on April 19, 2019 that police are to initiate a criminal investigation against protesters. The Prosecutor has fifteen days from the official receipt of the judgment to appeal to the Cassation Court of Armenia (the highest Armenian court). Lydian received official notice of the judgement on May 13, 2019 and has been informed unofficially that the Prosecutor received the judgement on May 13, 2019. Therefore, Lydian believes the Prosecutor has 15 days from May 13, 2019 to register an appeal.

Hydrogeological Survey – The Company completed an isotopic investigation of groundwater systems at Amulsar and the Jermuk area, confirming the findings of the Amulsar Project's EIA and ESIA by conclusively demonstrating that there is no hydraulic connection between the groundwater regimes at the Amulsar Project and Jermuk.

Going Concern Implications

Following a change in the Government of Armenia in May 2018, demonstrations and road blockades occurred sporadically throughout the country. These initial protests primarily targeted the mining sector, including the Amulsar Gold Project. Despite recent court rulings in favour of the Company, a continuous illegal blockade at Amulsar has been in place since June 22, 2018, causing construction activities to be suspended since this date. Access has generally been limited to contractor demobilization and winterization during Q4 2018.

The Government of Armenia has not enforced the rule of law to remove the illegal blockades at Amulsar and prosecute other illegal acts carried out against the Company. Furthermore, the Government of Armenia has taken certain actions and failed to act on other matters. The Government of Armenia's actions and inactions have substantially restricted the Company's access to capital and caused conditions to occur that were deemed events of default by the senior lenders, stream financing providers, and equipment financiers. As a result, in December 2018 the Company entered into the A&R Forbearance Agreement and, thereafter, in January 2019 the Thirteenth Amending Agreement and the A&R Stream Agreement with its senior lenders, stream financing providers, and equipment financiers.

The Company's ability to continue as a going concern is dependent upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. It will also be necessary for the Company to continue to receive forbearance under the A&R Forbearance Agreement and funding under the Thirteenth Amending Agreement. Blockade-related costs will continue to be incurred until the illegal blockades are removed and unrestricted access for all purposes is available to the Company. Thereafter, the Company anticipates additional time and funding will be needed for site restoration, sourcing of financing, if available, for completing construction and working capital until positive cash flows from operations can be achieved. Alternatively, funding will be required until a strategic alternative can be arranged, if at all, or to support the Company's legal alternatives.

While the Company has entered into the A&R Forbearance Agreement with its senior lenders, stream financing providers, and equipment financiers, as a result of the actions and inactions of the Government of Armenia there is no assurance that the Company will be able to meet its obligations under the applicable credit or loan agreements with its senior lenders, stream financing providers, and equipment financiers and that the Company will avoid further events of default as contemplated under such agreements. As a result, the Company may not be able to receive forbearance and continuing funding from the same parties under the A&R Forbearance Agreement, the Thirteenth Amendment, and the A&R Stream Agreement. Therefore, there is a risk that the Company will be in default under its agreements with its senior lenders, stream financing providers, and equipment financiers, which may ultimately result in one or more secured parties exercising rights to demand repayment and enforcing security rights, which may result in partial or full loss of the assets of the Company. During this forbearance period, Lydian will continue to engage with its lenders and stream financing providers to address the issues resulting from the illegal blockades and seek continuing forbearance and funding, while at the same time evaluating a range of strategic, financing, and legal alternatives.

Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades and as provided in the A&R Forbearance Agreement, the Thirteenth Amendment, and the A&R Stream Agreement, as a result of the actions and inactions of the Government of Armenia 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, find an acceptable strategic alternative, or fund legal alternatives. Furthermore, there are no assurances of future forbearances or lenders not demanding repayment and exercising security rights under the respective credit agreements. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

At March 31, 2019, the Company recognized an additional non-cash impairment loss of $28.0 million. See Note 15 in the unaudited interim condensed consolidated financial statements for the period ended March 31, 2019.

ABOUT LYDIAN

The Corporation is a gold-focused mineral development company, whose main focus is on the Amulsar Project, a gold development-stage project located in the Republic of Armenia. The Corporation's strategy is to implement mine development and construction plans for the Amulsar Project as described in the Corporation's most recent technical report titled "NI 43-101 Technical Report, Amulsar Updated Resources and Reserves Armenia" dated March 30, 2017 and to transition to a gold producer.

The Company was incorporated under the Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the 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 on the Toronto Stock Exchange under the symbol LYD on January 10, 2008.

FIRST QUARTER AND RECENT DEVELOPMENTS

Amulsar Gold Project Update

Illegal Blockades / Government Affairs – The illegal blockades continue at Amulsar and have been in place since June 22, 2018. Management's primary objective continued to be directed at removal of the blockades. Lydian also continues to engage with its lenders and stream financing providers to address the issues resulting from the illegal blockades and seek continuing forbearance and funding, while at the same time evaluating a range of strategic, financing, and legal alternatives. These circumstances, as more fully described under the heading "Going Concern Implications", indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern. Management's efforts to remove the illegal blockades resulted in several important developments relating to the Government of Armenia, including:

- On March 11, 2019, in connection with the ongoing blockades of road access to the Amulsar Gold Project, Lydian UK and Lydian Canada, subsidiaries of the Company, formally notified the Government of Armenia of the existence of disputes with the Government of Armenia under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Armenia for the Promotion and Protection of Investments, in force since July 11, 1996 (the "UK BIT") and the Agreement between the Government of Canada and the Government of Armenia for the Promotion and Protection of Investments, in force since March 29, 1999 (the "Canada BIT"), respectively.

  Under the UK BIT, Lydian UK may submit the dispute to international arbitration three months after such formal notification, and under the Canada BIT, Lydian Canada can do so after six months. In the meantime, the Government of Armenia has an opportunity to continue amicable discussions with Lydian with a view to the prompt settlement of the disputes.

Whether or not Lydian UK or Lydian Canada will initiate arbitration proceedings will depend on the conduct of the Government of Armenia, and there can be no assurance that Lydian UK or Lydian Canada will initiate any arbitration claim or application to any international arbitration court or of the outcome of any such claim or application.

Third Audit –March 2019, the Armenian Government commenced its third-party assessment ("Third Audit") of the Amulsar Gold Project's environmental impact on water resources, geology, biodiversity and water quality. The scope of work now also includes a review of the Company's ESIA and EIA. This is despite the fact that the Company's EIA was previously approved by the Armenian Government in accordance with Armenian law before Lydian began constructing the Amulsar Gold Project. Earth Link and Advanced Resources Development ("ELARD") has been selected by the Armenian Government as the consulting firm to perform the assessment, which is expected to last approximately 12 to 16 weeks. The Company expects that this will be the final audit.

The Company does not accept the need or legal basis for the Third Audit, since the Armenian Government already confirmed that the Amulsar Gold Project and its planned development complied with Armenian environmental requirements when it approved the EIA, and that Lydian relied on this approval when investing hundreds of millions of dollars in Armenia. Notwithstanding Lydian's objections to the basis of the Third Audit, management is cooperating fully with this audit as it progresses.

Court Rulings –Armenian courts have recently issued two rulings in Lydians favour.

- The Administrative Court of the Republic of Armenia ruled in favour of Lydian and instructed the Armenian Police to remove trespassers and their property from the Company's Amulsar Project site.

  On September 20, 2018, Lydian filed an appeal with the Administrative Court to have the Police enforce the rule of law and remove protesters trespassing on Company property and denying all road access to the Amulsar Project. The Administrative Court ruling, announced April 10, 2019, supports Lydian Armenia's complaint against a decision made by the local police that there was no basis for the removal of protesters, their vehicles, tents, and trailers to allow Lydian to access the Amulsar Project site. The Administrative Court's ruling was effective May 10, 2019 unless appealed prior to that date. The Company is not aware of any appeal having been filed during the prescribed period and has requested official acknowledgement from the Administrative Court that the order is effective. Following receipt of this acknowledgement, Lydian will demand enforcement of the order if not already acted upon by the Armenian Police.

  Lydian fully reserves all rights and remedies to address any disputes under Armenian and international law. To the extent that Armenian authorities fail to implement the decision of the Administrative Court of the Republic of Armenia and do not remove trespassers from the Amulsar Project site, Armenia will continue to be in breach of its obligations under Armenian and international law.

- The Criminal Court of Appeal of the Republic of Armenia ruled in April 2019 that police are to initiate a criminal investigation against protesters. The Prosecutor will have fifteen days from the official receipt of the judgment to appeal to the Cassation Court of Armenia (the highest Armenian court).

  On July 24, 2018, Lydian Armenia filed a complaint with the Jermuk Unit of the Vayots Dzor Police Department to initiate an investigation and file criminal charges against the protesters that had set up illegal blockades of roads accessing the Amulsar Project site. The police denied this request, resulting in the Company applying for a reversal of the police decision with the Ararat and Vayots Dzor Region's General Jurisdiction Court on September 30, 2018. The court ruled in Lydian's favour on January 18, 2019, establishing that the police failed to initiate a criminal case based on the alleged violations. The Vayots Dzor Prosecutor appealed the court's ruling.

On April 19, 2019 the Criminal Court of Appeal of the Republic of Armenia rejected the appeal filed by the Vayots Dzor Prosecutor requesting that the court's ruling in favour of the Company be overturned.

If the Prosecutor does not appeal or if the appeal is rejected the original ruling will be sustained and the Prosecutor will be compelled to initiate a criminal investigation of the protesters under the articles of hooliganism and arrogation of the Armenian Criminal Code. Lydian received official notice of the judgement on May 13, 2019 and has been informed unofficially that the Prosecutor received the judgement on May 13, 2019. Therefore, Lydian believes the Prosecutor has 15 days from May 13, 2019 to register an appeal.

Hydrogeological Survey – In January 2019, the Company completed an isotopic investigation of groundwater systems at Amulsar and the Jermuk area. The results of the Hydrogeological Survey confirmed the findings of Lydian's previous work in 2013 and supports the findings of the Amulsar Project's EIA and ESIA, conclusively demonstrating that there is no hydraulic connection between the groundwater regimes at the Amulsar Project and Jermuk. The investigation was designed to develop and expand the data collected for the project in 2013 as part of the then baseline studies and to determine whether there was any hydrogeological connection between the Amulsar and Jermuk water systems. The analysis on representative water samples were performed by the Jones Environmental Laboratory (UK) in 2013 and interpreted by Golder Associates (UK).

Financing

On January 15, 2019, the Company, Lydian Armenia and the stream financing providers entered into the A&R Stream Agreement pursuant to which the stream financing providers received an option to make a third deposit of $8.0 million (the "Third Deposit") following maturity of Term Facility B (as defined below). The Third Deposit amount may be paid in part or in full by applying any amounts owing to RCF and Osisko under the Term Facility B. The option to make the Third Deposit will not be available to the stream financing providers if the maturity of Term Facility B occurs due to a change of control of Lydian Armenia or any guarantor under the A&R Stream Agreement, if the buyer in connection with the change of control has purchased all of the stream obligations from the stream financing providers.

On January 15, 2019, Lydian entered into the Thirteenth Amending Agreement, whereby: (a) Osisko was added as a lender, (b) all unfunded commitments under the Term Facility were cancelled, (c) all unfunded commitments under the Cost Overrun Facility were cancelled, and (d) a new $18.6 million Term Facility B was made available to Lydian Armenia.

Appointments and Resignations

On March 18, 2019, Douglas Tobler, Chief Financial Officer, submitted his resignation, effective June 14, 2019. Thereafter, the Company's board of directors has appointed William Dean as Chief Financial Officer. Mr. Dean currently serves as Deputy Chief Financial Officer.

On April 30, 2019, the term contract of the Company's Chief Operating Officer, Andrew Kaczmarek expired.

Effective May 1, 2019, Eugene Davis resigned from the Company's board of directors. In addition, Tim Read has announced his retirement and submitted his resignation from the Company's board of directors. Mr. Read's resignation was effective April 30, 2019.

2019 OUTLOOK

The Company's outlook for 2019 is ultimately conditional upon the Government of Armenia resolving the disputes it has created with the Company and making the Company whole. In the near-term, the Company's ability to meet its obligations when due will be largely dependent upon the Company continuing to receive forbearance under the A&R Forbearance Agreement and funding under the Thirteenth Amending Agreement.

The A&R Forbearance Agreement continues through June 30, 2019, subject to satisfaction or waiver of certain conditions. Funding during this period is to be made from the Term B Facility, subject to satisfaction or waiver of certain conditions. The Company is pursuing a continuation of forbearance and funding after June 30, 2019. See Liquidity and Capital Resources, below, for additional information.

Since the outset of the illegal blockades in June 2018, the Company has been evaluating, pursuing, and preparing for multiple alternatives including strategic, financing, and legal alternatives. Strategic alternatives under consideration include a range of options, including a full sale of Lydian, one or more intermediate subsidiaries, or Amulsar. Financing alternatives would be required to fund a restart of construction. Legal alternatives include ongoing litigation in Armenia as well as preparing for other available legal options.

SELECTED FINANCIAL INFORMATION

Results of Operations

	For the three months ended March 31,	
In thousands (except per share data)	2019	2018
Interest income	$ 26	$ 208
Blockade expenses	21,702	-
Salaries, general and administrative expenses	1,566	2,096
(Gain) loss on financial instruments at fair value	(6,345)	2,201
Impairment of mineral property, plant and equipment	28,000	-
Other (income) expense, net	165	105
Tax expense	-	2
Net profit (loss)	(45,062)	(4,196)
Net profit (loss) per share (basic and diluted)	$ (0.06)	$ (0.01)

For the three months ended March 31, 2019 and 2018

The Company had no revenues other than interest income from bank deposits during Q1 2019. Interest income is directly related to the cash balance on hand and applicable interest rates during the respective periods. The decline in interest income related primarily to the Company's lower cash balance during the current period.

Blockade expenses for Q1 2019 include the idle costs of the Amulsar Gold Project as access to site to complete construction continued to be blocked by protestors. Such costs consisted primarily of interest on borrowings, labor, owner's costs, legal fees, and depreciation.

Salaries, general and administrative expenses for Q1 2019 decreased $0.5 million, or 25%, compared to the same period in 2018 as the Company acted to reduce its general and administrative costs until a resolution to the illegal blockades is achieved and the Company recovers, if at all, from the resulting financial consequences.

The (gain) loss on financial instruments at fair value relates to the Company's derivative assets and derivative liabilities associated with the Financing Transactions. The key assumptions included in the derivative models are the gold spot price, gold forward prices, gold price volatility, the Company's production schedule, estimated debt repayment schedules, LIBOR rates and credit-adjusted interest rates. Changes in these and other assumptions and the passage of time impact the fair value at each reporting period.

The Company estimates that the timing of future cash flows from operations is affected by the ongoing work of the Third Audit, the uncertainty as to the timing of the removal of the blockades and the Government of Armenia ensuring the Company's rights to resume construction. As a result, the Company recorded a $28.0 million impairment on its Amulsar Gold Project at March 31, 2019. To the extent the blockades and the actions and inactions of the Government of Armenia delay or restrict the Company's ability to complete construction and begin production, future additional impairments may result.

	Derivative Assets (Liabilities)				
	Stream Prepayment Option	Offtake Agreement	Stream Commodity Linked Repayment	Loan Fee Warrants	Gain (Loss)
Fair value at December 31, 2017	$ 2,789	$ (27,028)	$ (12,069)	$ (332)	
Change in fair value	33	366	(2,463)	(137)	$ (2,201)
Fair Value at March 31, 2018	$ 2,822	$ (26,662)	$ (14,532)	$ (469)	
Fair value at December 31, 2018	$ 2,290	$ (21,976)	$ (8,300)	$ (48)	
Change in fair value	(2,290)	6,552	2,035	48	$ 6,345
Fair Value at March 31, 2019	$ -	$ (15,424)	$ (6,265)	$ -	

The Q1 2019 gain was primarily the result of a 4% increase in the credit-adjusted interest rate, a 1% reduction in expected gold volatility, and an eight-month delay in the production schedule, partially offset by the reduction in the Stream Prepayment Option and a $15 increase in the gold spot price. The loss in fair value for the same period in 2018 was driven by a $16 increase in the gold spot price and increases in the gold futures prices.

There were no extraordinary transactions, nor any significant end of reporting period adjustments during the periods presented other than the costs associated with the blockades.

Summary of Balance Sheet Data

The following table summarizes the Company's financial position as of:

	March 31, 2019	December 31, 2018
Current assets	$ 17,220	$ 18,426
Mineral property, plant & equipment, net	326,070	355,833
Other non-current assets	22,019	25,284
Total assets	$ 365,309	$ 399,543
Current liabilities	$ 343,467	$ 331,887
Long term liabilities	21,280	22,188
Equity	562	45,468
Total liabilities and equity	$ 365,309	$ 399,543

Current assets consisted primarily of cash, refundable VAT, government receivables, and advances to suppliers. During Q1 2019, cash and cash equivalents increased $1.8 million to $5.2 million, primarily due to $7.0 million additional borrowings under Facility B and receipt of cash from refundable VAT, partially offset by Q1 2019 cash expenditures. During the same period, other current assets decreased $3.0 million primarily due to a $2.3 million reduction in the stream prepayment option derivative, a $4.6 million reduction of refundable VAT, partially offset by a $3.3 million increase in receivables from the Government of Armenia.

The Q1 2019 decrease in mineral properties, plant and equipment, net, is due to a $28.0 million additional impairment, a $1.2 million reduction in the asset retirement cost related to the reclamation provision for the Amulsar Gold Project and $1.6 million of depreciation expense, partially offset by Amulsar project costs and $0.5 million of right-of use assets capitalized upon adoption of IFRS 16 *Leases* as explained in Note 3 of the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2019.

Construction activities substantially halted with the illegal blockades in late June 2018. In Q1 2019, the Company had $5.3 million of construction expenditures before non-cash adjustments of $2.6 million. Of the expenditures, $3.4 million relate to costs associated with the blockades and were expensed. Construction expenditures in millions were:

$ in millions	For the three months ended March 31,			
	Total Incurred 2019	Less: Expensed Due To Blockades	Net Additions 2019	2018
General Project Costs	$ 2.2	$ (2.1)	$ 0.1	$ 4.7
Infrastructure	0.6	-	0.6	-
Material Handling Systems	0.8	(0.1)	0.7	9.7
Heap Leach, and Process Facilities	0.3	(0.2)	0.1	3.9
Indirect Costs	0.5	(0.3)	0.2	11.8
Owner's Costs	0.4	(0.4)	-	6.4
Mine Fleet	-	-	-	0.4
Site Services, BRSF and Mine Facilities	0.5	(0.3)	0.2	(1.6)
Other	-	-	-	1.1
Non-cash adjustments	(2.6)	-	(2.6)	7.6
	$ 2.7	$ (3.4)	$ (0.7)	$ 44.0

In Q1 2019 other non-current assets decreased by $3.3 million primarily due to a portion of refundable VAT becoming current. Current liabilities increased $11.6 million primarily due to a $23.1 million increase in stream liability and debt, partially offset by a $8.6 million decrease in derivative liabilities (see derivative asset/liability table above) and a $2.9 million reduction in accounts payable and accrued liabilities. The increase in stream liability and debt related primarily to additional borrowings of $7.0 million plus accrued interest on all facilities.

Non-current liabilities decreased $0.9 million in Q1 2019 primarily due to a $1.2 million reduction in the reclamation provision resulting from an eight-month slippage in the production schedule, partially offset by $0.2 million of accretion.

In Q1 2019 equity decreased $44.9 million due to a $45.0 million comprehensive loss, offset by a $0.1 million increase in share-based compensation reserve.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the three months ended March 31, 2019	2018
Cash and cash equivalents, beginning of period	$ 3,386	$ 53,937
Cash used in operations	(7,223)	(2,300)
Cash from (used in) investing activities	2,304	(55,379)
Cash from financing activities	6,693	52,458
Foreign exchange effect on cash	32	10
Cash and cash equivalents, end of period	$ 5,192	$ 48,726

Cash used in operations for Q1 2019 increased $4.9 million compared to the same period in 2018 primarily due to Amulsar blockade related costs that were charged to operating activities.

Q1 2019 cash provided by (used in) investing activities decreased $57.7 million over the same period in 2018. Of the change, $47.6 million is due to a significant reduction in Amulsar construction activities. Also, no cash payments for interest were made during Q1 2019 as set out in the A&R Forbearance Agreement. The other $10.2 million of change is related to lesser amounts of refundable VAT expenditures and receipt of $4.1 million of refundable VAT.

Cash provided by financing activities for Q1 2019 decreased $45.8 million over the same period in 2018 primarily due to a $49.4 million reduction in proceeds from borrowing, partially offset by a $2.3 million reduction in financing costs. On January 15, 2019, the Company entered the Thirteenth Amendment to the Term Facility whereby all unfunded commitments under the Term Facility were cancelled, all commitments under the cost overrun facility were cancelled, and a new $18.6 million Term Facility B was made available to Lydian Armenia. See Note 7 of the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2019 for additional information regarding debt facilities.

SUMMARY OF QUARTERLY RESULTS

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

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ (45,062)	$ (121,194)	$ (15,147)	$ 4,453
Net profit (loss) per share (basic and diluted)	$ (0.06)	$ (0.16)	$ (0.02)	$ 0.01
	Q1 2018	**Q4 2017**	**Q3 2017**	**Q2 2017**
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ (4,196)	$ (7,602)	$ (3,058)	$ (1,592)
Net profit (loss) per share (basic and diluted)	$ (0.01)	$ (0.01)	$ -	$ -

The Company's results of operations for Q1 2019 were primarily impacted by the impairment on its Amulsar Gold Project, costs associated with the delays in construction caused by the blockades, partially offset by its change in fair value on derivative instruments. There are no significant impacts of seasonality on the Company's results of operations.

OUTSTANDING SHARE DATA

A summary of the Company's share capital is:

	May 15, 2019	March 31, 2019	December 31, 2018
Ordinary shares	756,168,533	756,168,533	756,168,533
Warrants	5,000,000	5,000,000	5,000,000
Stock options	3,430,000	3,930,000	5,300,000
Restricted stock units	9,535,622	10,326,501	10,447,368

LIQUIDITY AND CAPITAL RESOURCES

Going Concern Considerations

The Corporation and other stakeholders continue to work across many levels of government and with local communities to have the illegal blockades peacefully removed and to allow construction to continue concurrent with the various audit initiatives initiated by the Government of Armenia. Despite these efforts, and notwithstanding the current government's intolerance of other illegal blockades in country, Lydian has been prevented from restarting construction activities.

As more fully described above under Going Concern Implications, circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

Working Capital

Working capital as of March 31, 2019 was a negative \$326.2 million compared to a negative \$313.5 million as of December 31, 2018. The decrease in working capital of \$12.7 million was primarily due to a \$23.1 million increase in stream liability and debt, a \$2.3 million reduction in derivative assets and a \$1.4 million reduction in refundable VAT and Government receivables, partially offset by a \$8.6 million reduction in derivative liabilities and a \$2.9 million reduction in accounts payable and current liabilities.

Additional working capital will be necessary to sustain basic Company activities until the illegal blockades are removed and Lydian has the opportunity to restart construction, consummate a strategic transaction, or initiate more extensive legal alternatives.

Financing requirements to complete construction and achieve sufficient positive cash flow from operations will depend upon a number of factors. Management's most recent estimate of total project costs for Amulsar is approximately \$500 million, actual costs through March 31, 2019 were \$361.9 million. Had a restart of construction been possible by mid-2019, this would have required additional funding of approximately \$150 million, excluding blockade-related expenses, plus a working capital contingency. However, management believes it is unlikely that any significant construction activities will occur this year because of the timing of the ELARD Audit, additional time needed to source the remaining funding requirement, and other necessary activities that will precede a construction restart. As such, the previously estimated additional funding requirement is expected to increase.

The previously estimated additional funding requirement of \$150 million plus a working capital contingency is expected to increase due to a number of factors, including, among others, the ultimate duration of and overall spending levels during the stoppage period and until construction can be restarted, degradation of assets, ability to retain title to assets subject to securitized credit facilities, access to qualified employees and contractors, and weather conditions during the remaining construction period. Also, \$14.0 million of deferred VAT becomes payable primarily in 2020 unless further deferral by the Government of Armenia is part of a broader arrangement. Additional interest costs will continue to accrue. It will be necessary for the Company to either fully or partially refinance obligations to the senior lenders, stream financing providers, and equipment financiers or have these obligors agree to one or more alternatives that may require continuing forbearance and deferral of repayments through construction and ramp-up, participating in a restructuring arrangement, or permitting additional financings. Given the Company's existing levels of debt and stream obligations, it is anticipated that any financing solution to complete construction will require issuance of substantial additional equity or conversion of debt to equity, which may result in current equity holders losing some or all of their investment.

Strategic alternatives under consideration include a range of options, including a full sale of Lydian, one or more intermediate subsidiaries, or Amulsar. Completing a strategic alternative will require at least sufficient additional working capital to maintain the Company's core competencies and Amulsar's rights and interest while a counterparty is identified and any transaction concluded, if at all.

Legal alternatives, if pursued, will require ongoing funding for general corporate purposes and a significant amount of additional funding for legal and other advisory fees. The level of such legal and advisory fees will depend on the nature and duration of any claims made by Lydian or its subsidiaries.

The additional funding requirements include working capital for general corporate and other purposes. The Company is subject to certain reimbursement limitations under the terms of the Financing Transactions and A&R Forbearance Agreement. Estimates of such costs will remain in flux until various uncertainties are resolved and actual costs may exceed any such estimates. As a result, sources of funds may be insufficient and require the Company to issue additional equity or seek other funding sources.

The ability to satisfactorily fulfill the conditions of the A&R Forbearance Agreement in order to draw upon the limited available 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 previously by or for the Company may differ significantly from current estimates of 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.

See Risk Factors in this MD&A and 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, performance, or timing 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, which may have a material negative impact on the Company.

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 Offering.

In Millions	Original estimated use of proceeds	Actual use of proceeds through March 31, 2019
Direct costs	$ 161.8	$ 181.0
Construction indirect costs	32.5	43.5
Engineering, procurement, construction management	32.9	52.8
Owner's cost	35.2	22.5
Pre-production working capital	10.0	6.4
Mine fleet and mobile equipment	49.8	43.6
Freight	8.3	9.6
Contingency	37.6	-
Drilling	1.8	2.5
Total construction costs	$ 369.9	$ 361.9

See Working Capital, above, for estimated additional working capital requirements. The Company continues to assess plans, timing, and budgets for a restart of construction. Strategic, financing, and legal alternatives are also being advanced.

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 EITA 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 March 31,	
	2019	2018
State duty on mining license	$ 21	$ 21
Customs duties and fees	111	815
Land rentals in local communities	229	192
Other taxes and duties	11	10
	$ 372	$ 1,038

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial assets include:

- Cash and cash equivalents, restricted cash that are initially recorded at fair value and are subsequently measured at amortized cost;
- Receivables that are initially recorded at fair value and subsequently measured at amortized cost less any impairment losses, and;
- Derivative assets that are originally recorded at fair value and are subsequently remeasured at fair value with changes recorded through profit and loss.

The Company's financial liabilities include:

- Accounts payable and accrued liabilities which are initially recorded at fair value and carried at amortized cost;
- Stream and debt which are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost using the effective interest method, and
- Derivative liabilities which are originally recorded at fair value and subsequently remeasured at fair value with changes recorded through profit and loss.

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).

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.

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.

The Company's net assets and liabilities are predominately held in US dollars, Armenian drams, Canadian dollars and the Euro. 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 various credit agreement bear interest as follows:

- Term Facility – LIBOR (subject to a minimum of 1%) plus 6.5%;
- Term Facility B – 15%;
- Ameriabank Term Facility – LIBOR plus 8.75%;
- ING Term Facility – LIBOR plus 2.95%; and
- Cat Term Facility - LIBOR plus 4.5%.

As of March 31, 2019, the Company had defaulted on certain loan provisions. The Company entered into an A&R Forbearance Agreement with its lenders whereby the interest rate has been increased by 2% above the applicable rate in each agreement during the forbearance period which ends on June 30, 2019.

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 March 31, 2019 and 2018 with respect to its cash and cash equivalents 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.

As of March 31, 2019, no gold or silver ounces had been delivered under these contacts. See Note 8 in the unaudited interim condensed consolidated financial statements for the period ended March 31, 2019 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 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 Gold 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 Government of Armenia. The VAT will be refunded in future periods.

During the three-months ended March 31, 2019 and 2018, there were no material impairment provisions required for any of the financial assets, as defined above. 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 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. During 2017 and through October 2018, the Company relied on shareholders, advances under the stream, and debt funding to finance its operations and development of the Amulsar Gold Project. Due to the illegal blockades, the Company has not been able to access the Amulsar Gold Project site since June 2018 and as such, construction has been suspended and access to advances under its existing debt facilities have been restricted. The Company is in default of certain provisions of its financing agreements as of March 31, 2019 and while the Company has entered into an A&R Forbearance Agreement where by the Lenders have agreed to waive principal and interest payments until June 30, 2019, there can be no assurance that the Company will be able to settle borrowings and other long-term liabilities.

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. The stream liability currently 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. Subsequent to December 31, 2018, the Company entered into the A&R Stream Agreement. See Note 7 to the unaudited condensed consolidated financial statements.

As of March 31, 2019, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility, Term Facility B, and Equipment Financing Facilities. As such, the Stream Agreement, Term Facility and Equipment Financing Facilities are classified as current.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the three-months ended March 31, 2019 include:

- A&R Stream Agreement, dated January 15, 2019;
- Thirteenth Amending Agreement, dated January 15, 2019;
- $7.0 million loan draw from the Term Facility B.

See the Company's December 31, 2018 AIF for descriptions of these contracts.

Off-Balance Sheet Arrangements

Contingent Quarterly Payments

On April 23, 2010, the Corporation purchased all of Newmont's interests in the Corporation'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 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. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont.

These potential payments do not meet the definition of an obligation as a triggering event had not occurred as of March 31, 2019 and, therefore, are not recognized in the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2019.

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

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 discussion. 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. Two of the non-executive members of the Board of Directors have contracts with Lydian International Limited. None of the Board members are entitled to any termination benefits, nor are they entitled to pension benefits.

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

	For the three months ended March 31,	
	2019	2018
Salaries and other compensation	$ 623	$ 386
Share-based compensation	65	227
	$ 688	$ 613

CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

The Company's unaudited interim condensed consolidated 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 3 and Note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2018. There have been no significant changes in the Company's accounting policies applied to the unaudited interim condensed consolidated financial statements for the period ended March 31, 2019, except for the adoption of IFRS 16 *Leases*. The Company adopted IFRS 16 as of January 1, 2019. Additional information regarding the effects of adoption of IFRS 16 *Leases* can be found in Note 3 of the Company's unaudited interim consolidated financial statements for the period ended March 31, 2019.

In applying the Company's accounting policies, Management is required to make judgements, 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 judgements, 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 unaudited interim condensed consolidated financial statements for the period ended March 31, 2019 are consistent with those applied and disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2018, except for those critical accounting estimates and assumptions made by management arising from the adoption of IFRS 16 *Leases*. Additional information regarding the critical accounting estimates and assumptions made by management in the adoption of IFRS 16 *Leases* can be found in Note 3 of the Company's unaudited interim condensed consolidated financial statements for the period ended March 31, 2019. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may materially differ from the amounts included in the financial statements.

Recent Accounting Pronouncements

See Note 3 in the unaudited interim condensed consolidated financial statements for the period ended March 31, 2019 for information regarding the Company's adoption of new and revised accounting standards.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company prepares its financial reports in accordance with IFRS. 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 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 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 March 31, 2019 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 unaudited interim 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 unaudited interim 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. Additional 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. The continuance of the illegal blockades has caused the Company to face additional risks and uncertainties as otherwise set out herein.

Ability to Continue as a Going Concern

As more fully described above under Going Concern Implications, circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

Government Relations

The illegal blockades arose in June 2018 following the change in Government in Armenia; they were followed by various additional audit requirements. The Company continues to engage with government officials; however, there can be no assurance that such engagement will result in the removal of the blockades, satisfaction of any audit findings, and the ability to restart construction in a timely manner, if at all. So far, the Armenian government has failed to take any steps to put an end to the blockade.

If the illegal blockades are removed and if any audit findings are satisfied, a change in mining or investment policies or shifts in political attitude could still adversely affect the Company. The Company's ability to resume construction of the Amulsar Gold Project may be affected in varying degrees by government regulations including, but not limited to, maintenance of the mining right and permits, restrictions on production, price controls, export controls, currency remittance, income tax, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use, mine safety, environmental standards, or uncertainty with respect to foreign legal systems.

The mining, processing, development and exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, environmental standards, and other matters. The Company at various times has applications for permits before the government, including at this time permits relating to water use and construction. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have a material adverse effect on the Company. Additionally, no assurance can be given that Armenian government officials will enforce the rule of law which has materially and adversely affected the Company, including continuing financial harm to the Company that threatens the value of the Company's investment in the Amulsar Gold Project. There can also be no assurance that the Armenian government will make the Company whole for the financial harm suffered by the Company.

Access to Mine Site

The Company was granted temporary access to the mine site during Q4 2018 to allow for winterization of the facilities and equipment pending removal of the blockades; however, as ongoing access is not available, certain work to date and equipment may be damaged or lost and environmental management and monitoring activities will not be performed. This may significantly increase the costs and expenses to complete the mine and mitigate resulting environmental damages.

Access to Capital

As a result of the illegal blockades and the actions or inactions of government officials in the Republic of Armenia, the ability of the Company to raise additional capital at reasonable costs, or at all, may be extremely limited. Any additional sources of capital may be limited and may not be sufficient to allow the Company to fund business activities, continue or complete construction once the illegal blockades are removed, or fund any processes to complete strategic, financing, or legal alternatives that may be available to the Company.

Continuation of Forbearance

The A&R Forbearance Agreement provides for a forbearance period that continues until the earlier of (a) June 30, 2019, (b) the occurrence of an additional event of default under such creditor's financing agreement, or (c) any breach by the Company of the A&R Forbearance Agreement. Upon termination of the A&R Forbearance Agreement, there is a risk that one or more secured parties exercises its rights to demand repayment, which may result in partial or full loss of the assets of the Company. There can be no assurances as to the continuing availability of a forbearance period or that any amendment, extension, or replacement of the current A&R Forbearance Agreement will be on commercially acceptable terms.

CAUTIONARY STATEMENTS

Certain statements contained in this MD&A and the documents incorporated by reference herein constitute forward-looking statements, as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect Management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Corporation. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "would", "project", "budget", "scheduled", "forecast", "could", "believe", "predict", "potential", "should", "might", "occur", "achieve", "target" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. In particular, information regarding: the Corporation's development and construction activities at the Amulsar Gold Project; the Corporation's future operating and production results and economic performance, including timing of production; the Corporation's option to submit the dispute in connection with the illegal blockades to international arbitration under the UK BIT or Canada BIT; the ELARD audit; the Corporation's expectations in connection with the removal of the blockades; the Corporation's ability to resume construction if and once the blockades are removed; the Corporation's estimates of delays and the impact on future cash flows and future impairments; the Corporation's ongoing evaluation of alternatives until the Corporation is able to resume construction; the Corporation's engagement with government officials in connection with the blockades; the value of the Corporation's investment in the Amulsar Gold Project and financial harm suffered by the Corporation; the Corporation's subsequent actions in connection with court rulings; the Corporation's discussions with its lenders and stream providers to address issues resulting from the blockades; the Corporation's continuation as a going concern and the Corporation's dependence on its ability to successfully fund cash obligations from new or existing sources; the Corporation's ability to secure additional financing, a restructuring or refinancing of existing obligations; the Corporation's ability to issue additional equity or convert current debt to equity; the Corporation's ability to meet its obligations when due, including taxes payable; the resolution of disputes between the Corporation and the Government of Armenia; the Corporation's cost reductions including but not limited to employees, contractors and construction-related contracts; the Corporation's ability to generate positive cash flows from the Amulsar Gold Project; the Corporation's ability to garner support and cooperation from the Armenian government authorities, local communities and other constituents; the Corporation's dependence upon the availability and continuation of funding under the A&R Forbearance Agreement; the Corporation's ability to fulfill conditions of the A&R Forbearance Agreement; the Corporation's ability to avoid or delay events of default in connection with agreements with its senior lenders, stream financing provider and equipment financiers; change in mining or investment policies in Armenia; expectations in connection with limited access to the Amulsar Gold Project for winterization; the Corporation's capital costs in relation to the Amulsar Gold Project; the Corporation's currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk; the sufficiency of working capital and debt facilities to advance ongoing activities; the Corporation's approach to sustainability, including the biodiversity programs; the exposure to financial risks; the estimated mineral resources of the Amulsar Gold Project; the impact of the equipment financing facilities and the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the receipt of required regulatory and other approvals; the anticipated economic and feasibility parameters of the Amulsar Gold Project; the Corporation's ability to satisfy covenants in existing Financing Facilities; the Corporation's costs associated with the Financing Transactions and equipment financing facilities; the use of proceeds from Financing Transactions or equipment financing facilities; the expected capital costs, sustaining capital costs, operating costs, production and cash flows for the Amulsar Gold Project; and the adjustment of the Corporation's capital structure is forward-looking information.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Corporation believes the expectations reflected in such forward- looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF and the documents incorporated by reference herein should be considered carefully and investors should not place undue reliance on them as the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. These statements speak only as of the date of this AIF or the particular document incorporated by reference herein. 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 removal of the blockades and the resumption of construction activities at the Amulsar Gold Project;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals;
- the exchange rate between the Canadian dollar, the Armenian dram, the British pound, and the U.S. dollar;
- the timing of the receipt of any outstanding regulatory and governmental approvals for the Corporation's projects;
- the cooperation of Armenian government authorities;
- the Government of Armenia enforcing the rule of law;
- the cooperation of the Corporation's senior lenders, stream financing providers and equipment financiers;
- the availability of financing for the Corporation's development of its properties on reasonable terms;
- the availability of financing under the A&R Forbearance Agreement;
- the ability to meet obligations as they become due;
- the ability to procure equipment and operating supplies in sufficient quantities, on a timely basis and on reasonable terms;
- The condition and location of previously delivered equipment and materials;
- the ability to enter into new construction contracts or employ new employees with the necessary skills/experience if and once construction resumes;
- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;
- taxation, including the allocation of certain tax attributed to the Amulsar Gold Project;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of the Amulsar Gold Project;
- that the 5% discount rate used to complete the Q1 2017 Technical Report is sufficient;
- labour and materials cost increases;

- permitting and arrangements with landholders;
- the ability to attract and retain skilled personnel;
- exploration and development timetables;
- market competition;
- the accuracy of the Corporation's resource and reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based;
- the satisfaction or waiver of all conditions to the completion, effectiveness or availability, as the case may require, of each of the Financing Transactions and the equipment financing facilities; and
- the receipt of funds under each of the Financing Transactions and the equipment financing facilities.

These forward-looking statements involve risks and uncertainties relating to, among other things, significant capital requirements and availability of capital resources to fund such requirements; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, Armenia, Great Britain and the United States; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Armenia; taxation; changes to the Corporation's mine plan or profitability or to the Corporation's asset profile that might alter the allocation of tax attributes to the Amulsar Gold Project; controls, regulations and political or economic developments in Jersey, Canada or Armenia; the speculative nature of mineral exploration and development; risks associated with obtaining and maintaining the necessary licenses and permits and complying with permitting requirements, including, without limitation approval of the Armenian Government and receipt of all related permits, authorizations or other rights; the uncertainties inherent to current and future legal challenges the Corporation is or may become a party to; diminishing quantities or grades of reserves and resources; competition; loss of key employees; adverse general economic, market or business conditions; additional funding requirements; rising costs of labour, supplies, fuel, electricity and equipment; actual results of current exploration activities; uncertainties inherent to mining economic studies such as 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 the Amulsar Gold Project. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks). Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this AIF and documents incorporated by reference herein. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Corporation cautions that the foregoing list of important factors is not exhaustive. The forward looking statements contained in the AIF and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

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

"*A&R Forbearance Agreement*" means the amended and restated forbearance agreement dated December 21, 2018 among the Corporation, Lydian Armenia, Orion CO IV (ED) Limited, Resource Capital Fund VI L.P., Osisko Bermuda Limited, ING Bank N.V., AB Svensk Exportkredit, Caterpillar Financial Services (UK) Limited and Ameriabank Closed Joint-Stock Company;

"*A&R Stream Agreement*" means the amended and restated purchase and sale agreement (gold and silver) dated January 15, 2019 between the Corporation, Lydian Armenia, Osisko and RCF, as may from time to time be amended, restated, replaced, waived or supplemented;

"*AIF*" means the annual information form of the Corporation dated March 12, 2019 for the year ended December 31, 2018;

"*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;

"*Board of Directors*" means the board of directors of the Corporation;

"*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;

"*Cost Overrun Facility*" or "COF" means the $25 million cost overrun facility, which was subsequently amended to $14 million, and commitments under which were further subsequently reduced to nil;

"*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;

"*EIA*" means the Environmental Impact Assessment for the Amulsar Gold Project;

"ELARD" means Earth Link and Advanced Resources Development;

"*ESIA*" means the Environmental and Social Impact Assessment for the Amulsar Gold Project;

"*Equipment Financing Facilities*" means, collectively, the Ameriabank Term Facility, the Cat Term Facility and the ING Term Facility;

"*EITA*" means the Extractive Industry Transparency initiative which is a standard by which information on the oil, gas and mining industries is published

"*Financing Facilities*" means, collectively, the Equipment Financing Facility, Term Facility, Term Facility B and the A&R Stream Agreement;

"*Financing Transactions*" means, collectively, the Term Facility, Term Facility B and the A&R Stream Agreement;

"*Forbearance Agreement*" means the forbearance agreement dated November 1, 2018 among the Company and its senior lenders, stream financing providers and equipment financiers;

"*Government of Armenia*" means the Government of the Republic of Armenia;

"*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;

"*Lenders*" means, collectively, Orion and RCF;

"*LIBOR* " means, in respect of an Interest Period, the greater of 1% per annum and the rate of interest per annum expressed on the basis of a year of 360 days, determined by the Administrative Agent, rounded upwards, if necessary, to the nearest whole multiple of 1/16th%, to be the offered rate that appears on the page of the LIBOR 01 screen of Reuters Limited (or, if LIBOR is no longer quoted by Reuters Limited (or any successor thereto), any analogous organization as may be selected by the Administrative Agent) that displays the average ICE Benchmark Administration Limited (or any successor thereto) Interest Settlement Rate for deposits in US Dollars (for delivery on the first day of such Interest Period) with a term equal to 3 months, determined as of approximately 11:00 a.m. (London, England time) 2 Business Days prior to the first day of such Interest Period;

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

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

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

"*Newmont*" means Newmont Overseas Exploration Limited;

"*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;

"*Osisko*" means Osisko Bermuda Limited;

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

"*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;

"*Senior Term Facility Agreement*" means the 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;

"*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.

"*Term Facility*" means the $138.7 million facility made available pursuant to the Senior Term Facility Agreement. The Term Facility is a component of the Financing Transactions.

"*Term Facility B*" means the $18.56 million facility made available pursuant to the Senior Term Facility Agreement, as amended by the Thirteenth Amending Agreement.

"*Third Deposit" means* a third deposit of $8 million following maturity of the Term Facility B as provided for in the A&R Stream Agreement;

"*Thirteenth Amending Agreement*" means the thirteenth amendment to the Senior Term Facility Agreement January 15, 2019;

"*VAT*" means value added tax; and

"*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 "Offering – Warrants".