LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2019

August 12, 2019

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", the "Company" or the "Corporation") was prepared as of August 12, 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 and six-month periods ended June 30, 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 June 30, 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

Second 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.

Financing – The Company entered into the Second A&R Forbearance Agreement on July 1, 2019 with its senior lenders, stream financing providers and equipment financiers. Pursuant to the Second A&R Forbearance Agreement, on July 8, 2019 the Company (a) issued 27,782,460 Forbearance Warrants which represented 3.5% of the Company's issued and outstanding ordinary shares (on a fully diluted basis), (b) made a $1.0 million payment on the Cat Term Facility and reserved $2.0 million of Term Facility B's remaining capacity for payment of the Cat Term Facility. Also, on July 1, 2019, the Company entered the Fourteenth Amendment to the Term Facility whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing Term Facility B.

New NI 43-101 Technical Report Feasibility Study ("Feasibility Study") — the Company has contracted with a firm to develop a new NI 43-101 Technical Report. The Company expects the Feasibility Study to be substantially completed during the third quarter of 2019.

Third Audit – In March 2019, the Government of Armenia commenced its third-party assessment ("Third Audit") of the Amulsar Gold Project's environmental impact on water resources, geology, biodiversity, and water quality. On August 8, 2019 the Government of Armenia announced that they had received the final results from the third-party regarding the audit and will be ready to come to a conclusion on the matter shortly. The Company has not yet received a copy of the final audit results. The Company does not accept the need or legal basis for this audit but continues to cooperate fully with this audit as it progresses.

Court Rulings – Armenian courts have issued two rulings in the Company's favour:

- On April 10, 2019, the Administrative Court of the Republic of Armenia ruled in favour of the Company and instructed the Armenian Police ("Police") to remove trespassers and their property from the Company's Amulsar Project site. Since the Police had not appealed the Court's decision within 30 days after the Court's ruling, the Company was expecting the trespassers and their belongings to be removed by the Armenian Police, and the Company's access to the site restored. This did not happen, despite the Police re-locating some of the trespassers' trailers blocking the Amulsar access roads to other locations, the Company's access to site has not been restored. The Company has filed a motion with the Court asking for an additional ruling in the dispute. The Administrative Court declined the motion on two occasions.

- The Criminal Court of Appeal of the Republic of Armenia ruled on April 19, 2019 that Police are to initiate a criminal investigation against certain protesters. On May 29, 2019, the Company received notification of an appeal by the Prosecutor to the Cassation Court (Armenian Supreme Court). The Company does not know if or when the Cassation Court will accept the case.

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 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. The Company has been dislocated from the Amulsar site and its access has been limited to contractor demobilization and winterization during the fourth quarter of 2018 and one day of limited, Police escorted access in the second quarter of 2019.

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, the Company entered into several agreements with its senior lenders, stream financing providers, and equipment financiers; see Note 7 and Note 20 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019 for additional detail on the agreements. As a result of these circumstances, the Company has incurred significant dislocation-related costs, see Note 13 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019 for additional information.

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 Second A&R Forbearance Agreement and funding under the Fourteenth Amending Agreement. Dislocation-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 Second 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 Second A&R Forbearance Agreement, the Fourteenth 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, the Company 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 Second A&R Forbearance Agreements, the Fourteenth 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. Changes in future conditions could require additional material write downs of the carrying values of certain assets.

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 June 30, 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.

SECOND 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. As of June 30, 2019, the Company has expensed $82.1 million in dislocation-related expenses. The Company 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 UK BIT and 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 the Company 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.

New NI 43-101 Technical Report Feasibility Study–Within the Second A&R Forbearance Agreement was an understanding with the lenders that the Company would move forward on a revised Feasibility Study. The Company has contracted with a firm to develop a new NI 43-101 Technical Report for Amulsar. The appropriate Qualified Personnel used previously on the project have been contacted for the various sections of the report. The Company expects the Feasibility Study to be substantially completed during the third quarter of 2019.

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 scope of work 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 the Company began constructing the Amulsar Gold Project. ELARD was selected by the Armenian Government as the professional firm to perform the assessment. This is the third audit on environmental matters that the Company has been obliged to participate in.

The Government of Armenia was provided the final conclusions from the ELARD audit on August 7, 2019 and announced that a full translation of the final conclusions will be provided to the Government of Armenia shortly. On August 8, 2019, during a televised cabinet meeting chaired by the Prime Minister of Armenia, it was announced that the Company had answered all questions and issues raised during the audit, the exchange of information during the audit was exhaustive, and there is no likelihood of any need for additional time or clarifications for the audit to come to a final conclusion. The Company provided over 300 documents composed of over 20,000 pages of information and participated in extensive technical discussions during the audit over the past four months. It was also announced that the Government of Armenia expects to come to a conclusion on the matter shortly. The Company has not yet received a copy of the final ELARD report that was provided to the Armenian Government.

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 the Company relied on this approval when investing hundreds of millions of dollars in Armenia. Notwithstanding the Company's objections to the basis of the Third Audit, management is cooperating fully with this audit as it progresses.

Technical Water Supply – On June 28, 2019 a letter from the Armenian Ministry of Environment was received informing the Company that its application for approval to extract water from the Arpa River, using the Gndevas Irrigation Pipeline had been declined. The use of water from the Arpa River was included in the EIA/ESIA and had been the subject of a prior contract with the Yeghegnadzor Water Users Association ("WUA"). The Company was informed by the WUA that the contract was cancelled in November 2018, at the instruction of the Ministry of Environment (now the Ministry of Territorial Administration and Infrastructure) citing that the water is designated for irrigation/agricultural purposes and not for industrial use.

The Company has initiated an appeal process under Armenian legislation for the Arpa River application with a notification letter sent to the Ministry of Environment on August 1, 2019. Along with the appeal process, the Company submitted a water-use application permit on July 4, 2019 for water from the Darb River located on the southern side of the project in line with its prior contingency planning. The Ministry of Environment's deadline for a response to the application is September 3, 2019, as posted on their website.

Court Rulings –Armenian courts have issued two rulings in the Company's favour.

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

  On September 20, 2018, the Company 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 the Company'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 the Company to access the Amulsar Project site. The Administrative Court's ruling was effective May 10, 2019, the Court's decision was to be enforced within 30 days, if not appealed by the Police. Since the Police had not appealed the Court's decision by the end of the appeal period, June 13, 2019, the Company was expecting the trespassers and their belongings to be removed by the Police, and the Company's access to the site restored during June 2019. However, the Police informed the Company that they complied with the Court ruling by re-locating some of the trespassers' trailers blocking the Amulsar access roads to other locations. However, the Company's access to the site has not been restored. The Company believes the trespassing continues and that the Police have not enforced the Court's ruling.

  In June 2019, the Company filed a motion with the Court asking for an additional ruling in the dispute. The Administrative Court declined the motion on June 14, 2019. The Company submitted an additional claim on June 25, 2019, which was denied by the same court on July 6, 2019.

  Throughout the 30-day appeal period, the local Police and the Mayor of Jermuk met with the protestors to attempt to convince them to allow the Company access to the site. In addition, the Company met several times with Government officials, including the head of the General Department of Investigation of Particularly Important Cases of the Investigative Committee of Armenia, the Head of Police in Armenia and a senior Advisor to the Prime Minister of Armenia to present evidence that the Police had not implemented the Administrative Court's ruling. On June 29, 2019, the Compulsory Enforcement Service ("CES") of the Republic of Armenia (the state body responsible for ensuring that judicial acts are properly enforced) informed the Company that the enforcement procedure was still in process. On July 8, 2019, the Company was advised that the regional division of CES was in discussions with the Police to determine their course of action regarding the enforcement. The Company has not received any further information from the CES.

  The Company 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 had 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, the Company 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 the Company'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. The Company received official notice of the judgement on May 13, 2019 and on May 29, 2019 the Company received the notification of appeal by the Prosecutor to the Cassation Court of Armenia. The Company has not received notification if the court will accept the case.

Financing

The Company entered into the Second A&R Forbearance Agreement on July 1, 2019 with its senior lenders, stream financing providers and equipment financiers, pursuant to which they have agreed to: a) continue to temporarily suspend all principal and interest payments due and payable; and (b) continue to forbear from declaring or acting upon, or exercising default-related rights or remedies under such creditor's financing agreement with respect to certain events of default, in each case, until the earlier of (a) September 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 Second A&R Forbearance Agreement.

In accordance with the Second A&R Forbearance Agreement, on July 8, 2019 the Company issued 23,036,136 warrants to AB Svensk Exportkredit and 4,746,324 warrants to Ameriabank CJSC (collectively, the "Forbearance Warrants"), which represented 3.5% of the Company's issued and outstanding ordinary shares (on a fully diluted basis) as of July 1, 2019. The Forbearance Warrants are ordinary share purchase warrants, with each warrant being exercisable for one ordinary share of the Company and have an exercise of CAD $0.1495. The Forbearance Warrants have a term of 5 years and holders will have the ability to exercise the Forbearance Warrants on a cashless basis.

Also pursuant to the Second A&R Forbearance Agreement, on July 8, 2019, the Company made a $1.0 million principal payment on the Cat Term Facility and reserved $2.0 million of Term Facility B's remaining capacity for payment of the Cat Term Facility.

On July 1, 2019, the Company entered the Fourteenth Amendment to the Term Facility whereby the lenders agreed to extend the availability period and the maturity date under the Company's existing credit agreement through the earlier of September 30, 2019 and the date of change of control.

For additional information on debt and financing, see Note 7 and Note 20 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019.

Appointments and Resignations

Effective May 1, 2019, Eugene Davis resigned from the Company's Board of Directors.

On June 12, 2019, as part of the Company's restructuring program, João Carrêlo, President and Chief Executive Officer and a member of the Board of Directors, stepped down.

On June 12, 2019, the board of directors appointed Edward Sellers, a current member of the Board of Directors, as Interim President and Chief Executive Officer.

On June 12, 2019 Victor Flores was appointed to the Company's Board of Directors.

On June 14, 2019, Douglas Tobler, Chief Financial Officer, resigned and the Board of Directors appointed William Dean as Chief Financial Officer.

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 Second A&R Forbearance Agreement and funding under the Fourteenth Amending Agreement.

The Second A&R Forbearance Agreement continues through September 30, 2019, subject to satisfaction or waiver of certain conditions. Funding during this period is to be made from the Company's existing cash and cash equivalents, projected VAT refunds and the remaining capacity of Term Facility B, subject to satisfaction or waiver of certain conditions. The Company is pursuing a continuation of forbearance and funding after September 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 June 30,		For the six months ended June 30,	
In thousands (except per share data)	2019	2018	2019	2018
Interest income	$ 23	$ 98	$ 49	$ 306
Dislocation related expenses	18,110	-	40,066	-
Salaries, general and administrative expenses	1,068	2,409	2,380	4,640
(Gain) loss on financial instruments at fair value	4,745	(7,207)	(1,600)	(5,006)
Impairment of mineral property, plant and equipment	-	-	28,000	-
Other (income) expense, net	21	437	186	407
Tax expense	-	6	-	8
Net profit (loss)	(23,921)	4,453	(68,983)	257
Net profit (loss) per share (basic and diluted)	$ (0.03)	$ 0.01	$ (0.09)	$ -

For the three months ended June 30, 2019 and 2018

The Company had no revenues other than interest income from bank deposits during Q2 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.

Dislocation-related expenses for Q2 2019 include the idle costs of the Amulsar Gold Project as access to site to complete construction continued to be blocked by protestors. During Q2 2019 dislocation-related expenses of $18.1 million primarily consisted of $11.4 million of interest and financing costs, $2.2 million of indirect and general and administrative costs, $1.8 million of labor related costs, $1.8 million of depreciation and accretion and $0.9 million of legal and consulting.

Salaries, general and administrative expenses for Q2 2019 decreased $1.4 million, or 56%, compared to the same period in 2018. 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 Q2 2019 loss of $4.7 million is primarily related to the Stream Linked Commodity Repayment derivative, which is sensitive to both spot and forward gold prices. In Q2 2019 the gold spot price increased $117 to $1,410, which increased the derivative liability and resultant loss on financial instruments. The loss was partially offset by a 30-basis point decrease in the gold price inflator (utilized for calculating gold prices past the market futures curve) over the same period.

There was no additional impairment taken on the Amulsar Project in Q2 2019.

For the six months ended June 30, 2019 and 2018

The Company had no revenues other than interest income from bank deposits during H1 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.

Dislocation-related expenses for H1 2019 include the idle costs of the Amulsar Gold Project as access to site to complete construction continued to be blocked by protestors. During H1 2019 dislocation-related expenses of $40.1 million primarily consisted of $27.8 million of interest and financing costs, $3.5 million of depreciation and accretion, $3.2 million of labor related costs, $2.8 million of indirect and general and administrative costs, $1.9 million of legal and consulting fees and $0.8 million of standby, demobilization and winterization costs.

Salaries, general and administrative expenses for H1 2019 decreased $2.3 million, or 50%, 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 H1 2019 gain is primarily the result of a 4.3% increase in the credit-adjusted interest rate, a 2.3% reduction in the expected gold price volatility, and an eight-month delay in the production schedule, partially offset by the reduction in the Stream Prepayment Option and a $132 increase in the gold spot price.

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 during Q1 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 dislocation-related expenses may result.

There were no extraordinary transactions, nor any significant end of reporting period adjustments during the periods presented other than the significant costs associated with the Company's dislocation from the Amulsar site as a result of the illegal protests.

Summary of Balance Sheet Data

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

In thousands	June 30, 2019	December 31, 2018
Current assets	$ 12,768	$ 18,426
Mineral property, plant & equipment, net	322,168	355,833
Other non-current assets	21,825	25,284
Total assets	$ 356,761	$ 399,543
Current liabilities	$ 360,580	$ 331,887
Long term liabilities	19,937	22,188
Equity	(23,756)	45,468
Total liabilities and equity	$ 356,761	$ 399,543

Current assets consisted primarily of cash, refundable VAT, government receivables, and advances to suppliers. Cash and cash equivalents increased $2.4 million from December 31, 2018, primarily due to $9.6 million from the refundable VAT fund and $7.0 million additional borrowings under Facility B, partially offset by cash expenditures. During the same period, other current assets decreased $8.2 million primarily due to a $6.2 million reduction of refundable VAT and Government receivables, and a $2.3 million reduction in the stream prepayment option derivative, partially offset by a $0.5 million increase in advances to vendors and other receivables related to a prepayment on the Company's Director and Officer insurance.

The decrease in mineral properties, plant and equipment, net, from December 31, 2018 is primarily due to a $28.0 million additional impairment, a $2.4 million reduction in the asset retirement cost related to the reclamation provision for the Amulsar Gold Project and $3.2 million of depreciation expense. This decrease was partially offset by Amulsar project costs and $0.4 million of right-of-use assets capitalized upon adoption of IFRS 16 *Leases* as explained in Note 3 in the Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 2019.

Construction activities substantially halted with the illegal blockades in late June 2018. In the six months ended June 30, 2019, the Company had $5.1 million of construction expenditures before non-cash adjustments of $(2.4) million. Of the expenditures, $5.6 million relate to costs associated with the dislocation caused by the blockades and were expensed. Construction expenditures are detailed further in the table below:

In millions	For the six months ended June 30,	
	Net Additions	
	2019	2018
General Project Costs	$ (0.1)	$ 4.7
Infrastructure	0.8	-
Material Handling Systems	1.1	9.7
Heap Leach, and Process Facilities	(0.5)	3.9
Indirect Costs	(2.2)	11.8
Owner's Costs	0.3	6.4
Mine Fleet	-	0.4
Site Services, BRSF and Mine Facilities	0.1	(1.6)
Other	-	1.1
Non-cash adjustments	(2.4)	7.6
	$ (2.9)	$ 44.0

In H1 2019 other non-current assets decreased by $3.5 million primarily due to $2.9 million of refundable VAT becoming current.

Current liabilities increased $28.7 million in H1 2019 primarily due to a $34.6 million increase in stream liability and debt, partially offset by a $3.9 million decrease in derivative liabilities and a $2.0 million reduction in accounts payable and accrued liabilities. The increase in stream liability and debt related primarily to accrued interest of $17.3 million, the amortization of financing costs $10.4 million and additional borrowings of $7.0 million.

Non-current liabilities decreased $2.3 million in H1 2019 primarily due to a $2.4 million reduction in the reclamation provision resulting from an eight-month slippage in the production schedule and a decrease in the estimated inflation rate, partially offset by $0.4 million of accretion.

In H1 2019 equity decreased $69.0 million due to a $69.0 million comprehensive loss and a $0.2 million adjustment in share-based compensation reserve.

Summary of Cash Flows

The following table is a summary of cash flows:

In thousands	For the six months ended June 30,	
	2019	2018
Cash and cash equivalents, beginning of period	$ 3,386	$ 53,937
Cash used in operations	(11,820)	(5,004)
Cash from (used in) investing activities	7,661	(105,283)
Cash from financing activities	6,501	71,731
Foreign exchange effect on cash	45	104
Cash and cash equivalents, end of period	$ 5,773	$ 15,485

Cash used in operations in H1 2019 increased $6.8 million compared to the same period in 2018 primarily due to Amulsar dislocation-related costs that were charged to operating activities.

In H1 2019 cash provided by (used in) investing activities decreased $113.0 million over the same period in 2018. Of the change, $96.5 million is due to a significant reduction in Amulsar construction activities and $16.7 million related to VAT. The Company converted $9.6 million of refundable VAT into cash during H1 2019.

Cash provided by financing activities in H1 2019 decreased $65.2 million over the same period in 2018 primarily due to a $71.5 million reduction in proceeds from borrowing, partially offset by a $2.2 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. On July 1, 2019, the Company entered into the Fourteenth Amendment to the Term Facility which extended the existing credit agreement to September 30, 2019. See Note 7 in the Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 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:

In thousands		Q2 2019		Q1 2019		Q4 2018		Q3 2018
Net sales	$	-	$	-	$	-	$	-
Net profit (loss)	$	(23,921)	$	(45,062)	$	(121,194)	$	(15,147)
Net profit (loss) per share (basic and diluted)	$	(0.03)	$	(0.06)	$	(0.16)	$	(0.02)
		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)	$	-

The Company's results of operations for Q2 2019 were primarily impacted by the costs associated with the delays in construction caused by the blockades and the loss related to the 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:

	August 13, 2019	June 30, 2019	December 31, 2018
Ordinary shares	760,017,021	760,017,021	756,168,533
Forbearance Warrants	27,782,460	-	-
Loan Fee Warrants	-	-	5,000,000
Stock options	2,120,000	2,120,000	5,300,000
Restricted stock units	4,196,887	4,196,887	10,447,368

See Highlights section above for information regarding Forbearance Warrants issued July 8, 2019.

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, the Company 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 June 30, 2019 was a negative $347.8 million compared to a negative $313.5 million as of December 31, 2018. The decrease in working capital of $34.1 million was primarily due to a $34.6 million increase in stream liability and debt, a $2.3 million reduction in derivative assets and a $6.2 million reduction in refundable VAT and Government receivables, partially offset by a $3.9 million reduction in derivative liabilities and a $2.0 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 the Company 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 costs for Amulsar is approximately $500 million, actual costs through June 30, 2019 were $358.1 million. Had a restart of construction been possible by mid-2019, this would have required additional funding of approximately $150 million, excluding dislocation-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 Third Audit, additional time needed to source the remaining funding requirement, and other necessary activities that precede a construction restart.

The previously estimated additional funding requirement of $150 million included working capital for general corporate purposes and a working capital contingency. This estimate 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. In addition, $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.

The Company is subject to certain estimated expenditure limitations under the terms of the Second A&R Forbearance Agreement. Estimates of such expenditures will remain in flux until various uncertainties are resolved and actual expenditures 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.

Additional interest costs 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 or equity issuances. 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 interests 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 ability to satisfactorily fulfill the conditions of the Forbearance Agreements 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 as of June 30, 2019 as compared to the originally estimated use.

In millions	Original estimated use of proceeds	Use of proceeds for Amulsar Project
Direct costs	$ 161.8	$ 179.2
Construction indirect costs	32.5	43.1
Engineering, procurement, construction management	32.9	53.1
Owner's cost	35.2	22.2
Pre-production working capital	10.0	4.6
Mine fleet and mobile equipment	49.8	43.6
Freight	8.3	9.9
Contingency	37.6	-
Drilling	1.8	2.4
Total construction costs	$ 369.9	$ 358.1

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 EITI 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.

In thousands	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
State duty on mining license	$ -	$ -	$ 21	$ 21
Customs duties and fees	87	331	198	588
Land rentals in local communities	233	231	462	423
Other taxes and duties	-	-	5	11
	$ 320	$ 562	$ 686	$ 1,043

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. See Note 8 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019 for additional information on the inputs and valuation technique.

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 June 30, 2019, the Company had defaulted on certain loan provisions. On July 1, 2019 the Company entered into the Second 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 September 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 June 30, 2019 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 June 30, 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 June 30, 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 and six months ended June 30, 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. Prior to the illegal blockades, 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 June 30, 2019 and while the Company has entered into the Second A&R Forbearance Agreement whereby the Lenders have agreed to waive principal and interest payments until September 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. On January 15, 2019, the Company entered into the A&R Stream Agreement. See Note 7 in the unaudited interim condensed consolidated financial statements for additional information.

As of June 30, 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 six-month period ended June 30, 2019 include:

- A&R Stream Agreement, dated January 15, 2019;
- Second A&R Forbearance Agreement, dated July 1, 2019;
- Thirteenth Amending Agreement, dated January 15, 2019;
- Fourteenth Amending Agreement, dated July 1, 2019;
- $7.0 million loan draw from Term Facility B.

See the Company's December 31, 2018 AIF available on SEDAR at www.sedar.com for descriptions of other significant 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 June 30, 2019 and, therefore, are not recognized in the Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 2019.

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

COMMITMENTS

In thousands	Total	Less than 1 Year	1-5 Years	After 5 Years
Debt	$ 331,581	331,581	-	
Land leases	11,811	937	3681	7,193
Reclamation provision	6,181	-	-	6,181
Lease liabilities (inclusive of interest)	393	246	147	-
Software leases	331	120	211	-
	$ 350,297	$ 332,884	$ 4,039	$ 13,374

As of June 30, 2019, the Company was in default of certain loan provisions contained in the Stream Agreement, the Term Facility and Equipment Financing Facilities. As such, the stream, debt and associated derivatives are classified as current.

The Company has multiple contracts for land use related to non-regenerative minerals at its Amulsar Gold Project which are outside of the scope of IFRS 16, *Leases*. The contracts are with three communities, Zaritap, Gorayq and Jermuk. All the contracts are either within close proximity to the mine site, or within the rock allocation area. These lands are necessary for the exploration or extraction of the mineralization at Amulsar.

The reclamation provision represents the present value of estimated future outflow of economic benefits that will be required to restore and rehabilitate Amulsar.

The Company leases office space, warehouse space and land associated with the Amulsar Gold Project. The Company's leases for their primary office spaces and warehouse qualify under IFRS 16 to be capitalized as right-of-use liabilities. See Note 10 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019 for additional detail.

The Company leases its accounting software through a software-as-a-service contract which is outside the scope of IFRS 16, *Leases*. Currently the Company is renegotiating the terms of this lease.

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 party transactions consist of compensation paid to the Board of Directors and executive management personnel. The compensation is comprised of board fees, employee salaries, share-based long-term incentive plans, employee benefits and pension costs. One member of the Board of Directors has a contractual entitlement with the Company to payment of the remainder amount payable of an annual retainer in the event the Director's appointment is terminated other than for cause. None of the Board members are entitled to any other termination benefits, nor are they entitled to pension benefits.

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

	Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
Salaries and other compensation	$ 1,267	$ 960	$ 1,891	$ 1,346
Share-based compensation	23	278	88	505
	$ 1,290	$ 1,238	$ 1,979	$ 1,851

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 in 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 June 30, 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 in the Company's unaudited interim consolidated financial statements for the period ended June 30, 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 the financial statements.

Significant judgments made by Management and applied in preparing the unaudited interim condensed consolidated financial statements for the period ended June 30, 2019 are consistent with those applied and disclosed in Note 2 in 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 in the Company's unaudited interim condensed consolidated financial statements for the period ended June 30, 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 June 30, 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 June 30, 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 and one day of limited, Police escorted access in Q2 2019; however, as ongoing access is not available, certain on-site work to date and equipment has been adversely affected or lost and on-site environmental management and monitoring activities can 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 Second A&R Forbearance Agreement provides for a forbearance period that continues until the earlier of (a) September 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 Second A&R Forbearance Agreement. Upon termination of the Second 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 Second 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 and the results of the 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 new NI 43-101 Technical Report feasibility study; the technical water supply, including the Company's current appeal and the ability to secure an alternative source; the Corporation's expectations in connection with decisions made by the Armenian courts; the Corporation's estimates of delays and the impact on future cash flows and future impairments; the Second A&R Forbearance Agreement; 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 Second A&R Forbearance Agreement; the Corporation's ability to fulfill conditions of the Second 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

"*Forbearance Agreements*" means the amended and restated forbearance agreement dated December 21, 2018 and the second amended and restated forbearance agreement dated July 1, 2019 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;

"Canada BIT" means 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;

"*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;

"*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;

"*EITI*" 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;

"Forbearance Warrants" means the means a whole Ordinary Share purchase warrants of the Corporation issued July 8, 2019, pursuant to the Second A&R Forbearance Agreement;

"*Fourteenth Amending Agreement*" means the fourteenth amendment to the Senior Term Facility Agreement dated July 1, 2019;

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

"*H1 2019*" means the six-month period ended June 30, 2019;

"*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;

"*Loan Fee 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";

"*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.;

"Second A&R Forbearance Agreement" means the second amended and restated forbearance agreement dated July 1, 2019 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;

"*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 and was amended with the A&R Stream Agreement.

"*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 and the Fourteenth Amending Agreement.

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

"UK BIT" means 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; and

"VAT" means value added tax.