

**LYDIAN INTERNATIONAL LIMITED  
INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**September 30, 2014  
(Unaudited)**

# Content

Company Particulars.....	3
Interim Condensed Consolidated Income Statements (Unaudited) .....	4
Interim Condensed Consolidated Statements of Comprehensive Loss (Unaudited) .....	5
Interim Condensed Consolidated Statements of Financial Position (Unaudited) .....	6
Interim Condensed Consolidated Statements of Changes in Equity (Unaudited) .....	7
Interim Condensed Consolidated Statements of Cash Flows (Unaudited) .....	9
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) .....	10

## COMPANY PARTICULARS

### DIRECTORS

Mr Gordon Wylie, Non-Executive Director and Chairman of the Board  
Mr Howard Stevenson, Director  
Mr Bill Abel, Non-Executive Director  
Mr Timothy Read, Non-Executive Director  
Mr Stephen J. Altmann, Non-Executive Director  
Mr Vahan Kololian, Non-Executive Director

### OFFICERS

Mr Howard Stevenson, President and Chief Executive Officer  
Mr Douglas Tobler, Chief Financial Officer  
Mr Marc Leduc, Chief Operating Officer  
Mr Eric Lowy, Company Secretary

### HEAD OFFICE

Suite 3  
5-6 Esplanade  
St Helier, Jersey, JE2 3QA  
Channel Islands  
Tel: +44 1534 747 890  
Fax: +44 1534 758 708  
Website: [www.lydianinternational.co.uk](http://www.lydianinternational.co.uk)

### BANKERS

#### Jersey, Channel Islands

Royal Bank of Scotland International Limited  
71 Bath Street, Royal Bank House, St. Helier,  
Jersey JE4 8PJ

Barclays Wealth  
PO Box 82, 39-41 Broad Street  
St Helier  
Jersey JE4 8PU

#### Canada

Royal Bank of Canada  
20 King Street West, Main Floor  
Toronto, Ontario M5X 1B1  
Canada

### AUDITORS

Grant Thornton LLP  
Suite 401, 350 Burnhamthorpe Road West  
Mississauga, Ontario L5B 3J1  
Canada

**Lydian International Limited**  
**Interim Condensed Consolidated Income Statements (Unaudited)**  
**For three and nine month periods ended September 30, 2014 and 2013**  
**(Presented in United States Dollars, except where indicated)**

	Notes	Three month period ended September 30,		Nine month period ended September 30,	
		2014	2013	2014	2013
		\$	\$	\$	\$
Interest income		13,858	19,925	72,747	102,926
<b>Total income</b>		<b>13,858</b>	<b>19,925</b>	<b>72,747</b>	<b>102,926</b>
Employee salaries and benefits expenses	6	(1,301,575)	(1,048,280)	(3,781,725)	(3,936,116)
Services and consumables used		(208,145)	(286,545)	(647,395)	(821,828)
Administrative and other expenses		(671,481)	(796,410)	(1,958,263)	(2,522,630)
Depreciation and amortisation expenses		(28,895)	(51,817)	(90,313)	(134,132)
Interest expense		-	(125,001)	-	(377,258)
Other gains	7	509,737	299,832	234,270	619,982
<b>Total expenses</b>		<b>(1,700,359)</b>	<b>(2,008,221)</b>	<b>(6,243,426)</b>	<b>(7,171,982)</b>
<b>Loss before tax</b>		<b>(1,686,501)</b>	<b>(1,988,296)</b>	<b>(6,170,679)</b>	<b>(7,069,056)</b>
Income taxes		-	-	-	-
<b>Loss for the period</b>		<b>(1,686,501)</b>	<b>(1,988,296)</b>	<b>(6,170,679)</b>	<b>(7,069,056)</b>
<b>Loss per share (basic and diluted)</b>	8	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.05)</b>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

**Lydian International Limited**  
**Interim Condensed Consolidated Statements of Comprehensive Loss (Unaudited)**  
**For three and nine month periods ended September 30, 2014 and 2013**  
**(Presented in United States Dollars, except where indicated)**

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Loss for the period	(1,686,501)	(1,988,296)	(6,170,679)	(7,069,056)
Other comprehensive (loss) income:				
Exchange differences arising on translation of foreign operations	(923,815)	983,532	(811,169)	(1,012,581)
<b>Total comprehensive loss for the period</b>	<b>(2,610,316)</b>	<b>(1,004,764)</b>	<b>(6,981,848)</b>	<b>(8,081,637)</b>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

**Lydian International Limited**  
**Interim Condensed Consolidated Statements of Financial Position (Unaudited)**  
**As of September 30, 2014 and December 31, 2013**  
**(Presented in United States Dollars, except where indicated)**

	Notes	September 30, 2014	December 31, 2013
		\$	\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	2,964,465	3,652,596
Intangible assets		94,369	127,873
Exploration and evaluation assets	10	65,589,127	58,731,741
VAT recoverable		4,011,487	3,932,492
<b>Total non-current assets</b>		<u>72,659,448</u>	<u>66,444,702</u>
<b>Current assets</b>			
Cash and cash equivalents		16,531,622	8,549,127
Other current assets		717,291	804,538
<b>Total current assets</b>		<u>17,248,913</u>	<u>9,353,665</u>
<b>TOTAL ASSETS</b>		<u>89,908,361</u>	<u>75,798,367</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	150,001,486	128,388,124
Employee share option plan reserve	12	3,355,675	4,709,655
Translation of foreign operations		(7,256,480)	(6,445,311)
Accumulated deficit		(58,626,072)	(52,455,393)
<b>Total equity</b>		<u>87,474,609</u>	<u>74,197,075</u>
<b>Non-current liabilities</b>			
Non-current accrued liabilities		583,587	586,407
Provisions		66,627	66,949
<b>Total non-current liabilities</b>		<u>650,214</u>	<u>653,356</u>
<b>Current liabilities</b>			
Accrued liabilities and other payables	13	1,783,538	947,936
<b>Total current liabilities</b>		<u>1,783,538</u>	<u>947,936</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>89,908,361</u>	<u>75,798,367</u>

**Subsequent Events (Note 15)**

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

**Lydian International Limited**  
**Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)**  
**For nine month periods ended September 30, 2014 and 2013**  
**(Presented in United States Dollars, except where indicated)**

	<i>Share capital</i>	<i>Warrants</i>	<i>Employee share option plan reserve</i>	<i>Translation of foreign operations</i>	<i>Accumulated deficit</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Balance at January 1, 2013	125,315,924	549,706	3,822,613	(5,063,935)	(42,934,674)	81,689,634
Proceeds from exercised warrants	1,907,629	-	-	-	-	1,907,629
Attributable to exercised warrants	549,706	(549,706)	-	-	-	-
Attributable to expired options	464,256	-	(464,256)	-	-	-
Employee share options vested during the period	-	-	1,317,343	-	-	1,317,343
Total comprehensive loss for the period	-	-	-	(1,012,581)	(7,069,056)	(8,081,637)
Balance at September 30, 2013	128,237,515	-	4,675,700	(6,076,516)	(50,003,730)	76,832,969

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

**Lydian International Limited**  
**Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)**  
**For nine month periods ended September 30, 2014 and 2013**  
**(Presented in United States Dollars, except where indicated)**

	<i>Share capital</i>	<i>Warrants</i>	<i>Employee share option plan reserve</i>	<i>Translation of foreign operations</i>	<i>Accumulated deficit</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Balance at January 1, 2014	128,388,124	-	4,709,655	(6,445,311)	(52,455,393)	74,197,075
New share issue	20,037,208	-	-	-	-	20,037,208
Cost of share issue	(1,162,387)	-	-	-	-	(1,162,387)
Attributable to expired options	2,738,541	-	(2,738,541)	-	-	-
Employee share options vested during the period	-	-	1,384,561	-	-	1,384,561
Total comprehensive loss for the period	-	-	-	(811,169)	(6,170,679)	(6,981,848)
Balance at September 30, 2014	150,001,486	-	3,355,675	(7,256,480)	(58,626,072)	87,474,609

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*



**Lydian International Limited**  
**Interim Condensed Consolidated Statements of Cash Flows (Unaudited)**  
**For nine month periods ended September 30, 2014 and 2013**  
**(Presented in United States Dollars, except where indicated)**

	Nine month period ended	
	September 30, 2014 \$	September 30, 2013 \$
<b>Cash flows for operating activities</b>		
Payments to suppliers and employees	(5,810,055)	(7,455,069)
Net cash used in operating activities	(5,810,055)	(7,455,069)
<b>Cash flows for investing activities</b>		
Interest received	66,915	102,926
Payments for property and equipment and intangible assets	(52,825)	(627,082)
Exploration and evaluation amounts paid	(5,471,748)	(9,308,899)
Proceeds from disposal of property and equipment	33,725	4,313
Refund from deposits	100,000	-
Net cash used in investing activities	(5,323,933)	(9,828,742)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital, net	18,874,821	1,907,629
Net cash generated from financing activities	18,874,821	1,907,629
Net increase (decrease) in cash and cash equivalents	7,740,833	(15,376,182)
Cash and cash equivalents, beginning of the period	8,549,127	32,705,731
Effects of exchange rate changes on the balance of cash held in foreign currencies	241,662	730,871
<b>Cash and cash equivalents, end of the period</b>	<b>16,531,622</b>	<b>18,060,420</b>

*The accompanying notes are an integral part of these interim condensed consolidated financial statements*

**Lydian International Limited****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)****For three and nine month periods ended September 30, 2014 and 2013****(Presented in United States Dollars, except where indicated)****1. GENERAL INFORMATION**

Lydian International Limited (the “Company”) is a company continued under the laws of Jersey effective on December 12, 2007 (formerly existing under the laws of Alberta, Canada). The registered office address of the Company is Suite 3, 5-6 Esplanade, St Helier, Jersey, JE2 3QA Channel Islands. The Company’s ordinary shares (“Ordinary Shares”) began trading on the Toronto Stock Exchange (“TSX”) on January 10, 2008 under the symbol “LYD”.

The Company, together with its subsidiaries, (the “Group”) is a gold-focused mineral development company pursuing large, high-quality resources in emerging and transitional geopolitical regions. Currently, Lydian is focused on Eastern Europe, primarily in the Caucasus region. The Company’s main project is a gold development project (the “Amulsar Gold Project”) located in Armenia. In addition, the Company holds a license covering an early-stage gold prospect (the “Kela Project”) in the Guria region of Georgia. In conducting operations in Armenia and Georgia, the Company is subject to considerations and risks not typically associated with companies operating in Canada. These include risks such as political, economic and legal environments in an emerging market. The Company’s results may be adversely affected by changes in political and social conditions and by changes in governmental policies with respect to mining laws and regulations, currency conversion and remittance abroad and rates and methods of taxation.

The recovery of amounts capitalized as exploration and evaluation assets is dependent upon the Company’s ability to arrange appropriate financing and secure and maintain all rights required to complete development of the properties and achieve future profitable production or proceeds from disposition of these assets.

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended December 31, 2013, except for those newly adopted as described in Note 2.

**2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS****Standards and Interpretations adopted during the current period****IFRIC 21 ‘Levies’**

IFRIC 21 clarifies that for levies, the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government’s legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognized on that date.

The Group, through its wholly owned subsidiaries, are required to pay levies such as mine duties and property taxes payable and paid on an annual basis. Adoption of IFRIC 21 had no material effect on the interim or annual consolidated financial statements.

**IAS 19 ‘Employee Benefits’ Defined Benefit Plans: Employee Contributions**

The amendments to IAS 19 clarify the requirements of IAS 19 relating to contributions from employees or third parties and introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction in the service cost in the period in which the related service is rendered.

The Group has applied the practical expedient as its accounting policy. This treatment is consistent with the Group’s previous practice before the Amendments to IAS 19. Therefore, the initial application of the amendments to IAS 19 has no effect on the Group’s financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

These interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2014 were prepared in accordance with IAS 34, “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

**Basis of preparation**

The interim condensed consolidated financial statements were prepared on the historical cost basis and presented in United States Dollars (USD).

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

When preparing the interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal estimated results. Judgments, estimates, and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended December 31, 2013.

**5. GEOGRAPHICAL SEGMENTS**

The Group is engaged in one business activity, mineral exploration and development. The two key geographical segments for these activities are located in Armenia and Georgia. The Group’s head office activities are conducted in Jersey and other locations.

All transactions between segments are measured at fair value. All balances, income and expenses between segments are eliminated in full on consolidation.

The geographical segmented information on income statement, property and equipment, intangible assets, and expenditure items are given below:

# LYDIAN INTERNATIONAL LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014

	For nine month period ended	
	September 30, 2014	September 30, 2013
	\$	\$
<b>Interest income</b>		
Armenia	3,800	6,260
Georgia	21,399	-
Head office activities	47,548	96,666
	72,747	102,926
	72,747	102,926
<b>Loss for the period</b>		
Armenia	1,258,726	1,627,932
Georgia	122,087	262,406
Head office activities	4,789,866	5,178,718
	6,170,679	7,069,056
	6,170,679	7,069,056
<b>Depreciation and amortization</b>	24,175	31,726
Armenia	18,891	24,777
Georgia	47,247	77,629
Head office activities	90,313	134,132
	90,313	134,132
	90,313	134,132
<b>Property, equipment and intangible asset expenditures</b>		
Armenia	31,826	603,545
Georgia	-	-
Head office activities	20,999	23,537
	52,825	627,082
	52,825	627,082

The geographical segmented information on certain Statement of Financial Position items is given below:

	As of September 30, 2014	As of December 31, 2013
	\$	\$
<b>Exploration and evaluation assets</b>		
Armenia	65,008,914	58,146,148
Georgia	580,213	585,593
Head office activities	-	-
	65,589,127	58,731,741
	65,589,127	58,731,741
<b>Property and equipment</b>		
Armenia	2,879,087	3,523,075
Georgia	52,588	72,142
Head office activities	32,790	57,379
	2,964,465	3,652,596
	2,964,465	3,652,596

# LYDIAN INTERNATIONAL LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014

	As of September 30, 2014 \$	As of December 31, 2013 \$
<b>Intangible assets</b>		
Armenia	67,998	84,987
Georgia	-	-
Head office activities	26,371	42,886
	94,369	127,873

September 30, 2014

	Armenia \$	Georgia \$	Head office activities \$	Eliminations \$	Consolidated \$
Total assets	72,872,445	735,565	89,812,417	(73,512,066)	89,908,361
Total liabilities	72,704,268	1,935,198	1,339,978	(73,545,692)	2,433,752

December 31, 2013

	Armenia \$	Georgia \$	Head office activities \$	Eliminations \$	Consolidated \$
Total assets	66,177,826	887,223	75,023,636	(66,290,318)	75,798,367
Total liabilities	65,124,572	1,969,740	789,317	(66,282,337)	1,601,292

## 6. EMPLOYEE SALARIES AND BENEFIT EXPENSES

	Three month period ended September 30,		Nine month period ended September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Salaries and other compensations	(815,906)	(803,479)	(2,379,164)	(2,618,773)
Share-based payments	(485,669)	(244,801)	(1,384,561)	(1,317,343)
	(1,301,575)	(1,048,280)	(3,781,725)	(3,936,116)

**7. OTHER GAINS**

	Three month period ended		Nine month period ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Disposal of property and equipment	60	8	22,623	2,435
Foreign currency gain	505,048	291,678	219,858	583,594
Other gains (losses)	4,629	8,146	(8,211)	33,953
	509,737	299,832	234,270	619,982
	509,737	299,832	234,270	619,982

**8. LOSS PER SHARE**

Loss per share of \$0.01 and \$0.04 for the three and nine month periods ended September 30, 2014 were calculated on the basis of the net loss of \$1,686,501 and \$6,170,679, correspondingly, on 152,153,926 and 147,434,498 shares, being the weighted average number of shares in issue. Loss per share of \$0.02 and \$0.05 for the three and nine month periods ended September 30, 2013 were calculated on the basis of the net loss of \$1,988,296 and \$7,069,056, correspondingly, on 130,172,926 and 129,408,674 shares, being the weighted average number of shares in issue.

As a result of the losses incurred during the three and nine month periods ended September 30, 2014 and 2013, the potential shares to be issued from the exercise of options are not included in the computation of diluted per share amounts since the result would be anti-dilutive. Accordingly, the diluted loss per share and the basic loss per share for all periods presented are the same.

**9. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Machinery</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Land and structures</b>	<b>Fixtures and fittings, other</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At January 1, 2013	2,953,354	723,254	451,498	63,425	217,320	36,134	4,444,985
Additions	-	267,928	143,566	-	239,164	-	650,658
Disposal	-	(14,693)	(21,824)	-	(2,639)	-	(39,156)
Exchange difference	(14,995)	(10,661)	(4,538)	(322)	1,199	(183)	(29,500)
At December 31, 2013	2,938,359	965,828	568,702	63,103	455,044	35,951	5,026,987
Additions	-	32,316	-	-	13,340	-	45,656
Disposal	-	(24,397)	(38,342)	-	-	-	(62,739)
Exchange difference	(14,129)	(10,175)	(3,388)	(304)	(2,084)	(173)	(30,253)
At September 30, 2014	2,924,230	963,572	526,972	62,799	466,300	35,778	4,979,651
<b>ACCUMULATED DEPRECIATION</b>	<b>Machinery</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Land and structures</b>	<b>Fixtures and fittings, other</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At January 1, 2013	25,670	293,143	183,278	3,796	140,012	-	645,899
Depreciation	427,916	194,904	84,023	2,808	55,099	-	764,750
Disposal	-	(12,991)	(19,939)	-	(1,228)	-	(34,158)
Exchange difference	4,038	(4,384)	(1,575)	8	(187)	-	(2,100)
At December 31, 2013	457,624	470,672	245,787	6,612	193,696	-	1,374,391
Depreciation	435,214	138,825	66,533	2,098	55,436	-	698,106
Disposal	-	(13,295)	(38,342)	-	-	-	(51,637)
Exchange difference	1,215	(5,213)	(1,165)	(15)	(496)	-	(5,674)
At September 30, 2014	894,053	590,989	272,813	8,695	248,636	-	2,015,186

**CARRYING AMOUNT**

	<b>Machinery</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Lands and structures</b>	<b>Fixtures and fittings, other</b>	<b>Construction in progress</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
At September 30, 2014	2,030,177	372,583	254,159	54,104	217,664	35,778	2,964,465
At December 31, 2013	2,480,735	495,156	322,915	56,491	261,348	35,951	3,652,596

During the nine month period ended September 30, 2014, depreciation of \$633,037 was capitalized to exploration and evaluation costs (2013: \$432,962).



**10. EXPLORATION AND EVALUATION ASSETS (“EEA”)**

Cost	Armenia Project	Georgia Project	Total
	Amulsar	Kela	
	\$	\$	\$
At January 1, 2013	47,154,131	529,949	47,684,080
Additions	11,126,197	83,442	11,209,639
Exchange difference	(134,180)	(27,798)	(161,978)
At December 31, 2013	58,146,148	585,593	58,731,741
Additions	7,087,197	-	7,087,197
Exchange difference	(224,431)	(5,380)	(229,811)
At September 30, 2014	65,008,914	580,213	65,589,127

The net balance of exploration and evaluation assets at September 30, 2014 compared to December 31, 2013 increased by \$6,857,386. During the nine month period ended September 30, 2014 \$7,087,197 was incurred at the Amulsar Gold Project for development activities, environmental and social impact studies, maintenance, lease payments, and other costs. There were no capitalized expenditures incurred at Kela Project during the nine month period ended September 30, 2014.

Non-cash transactions that increased EEA are as follows:

	Nine month period ended September 30, 2014	Year ended December 31, 2013
	\$	\$
Capitalised amortisation and depreciation	646,105	677,351
	646,105	677,351

**11. SHARE CAPITAL**

Share capital of the Company consists of fully paid ordinary shares. The Company has one class of shares, being Ordinary Shares. The Company is authorized to issue an unlimited number of Ordinary Shares. The Company’s Ordinary Shares have no par value. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the shareholders’ meeting of the Company.

	Number of shares	\$
Number of ordinary shares issued and fully paid:		
Total outstanding number of shares, January 1, 2013	126,861,168	125,315,924
Shares issued on exercise of warrants	3,311,758	2,457,335
Amount attributable to expired options	-	614,865
Total outstanding number of shares, December 31, 2013	130,172,926	128,388,124
Shares issued for cash, net of shares issue costs (i)	17,250,000	14,609,417
Shares issued for cash, net of shares issue costs (ii)	4,731,000	4,265,404
Amount attributable to expired options	-	2,738,541
Total outstanding number of shares, September 30, 2014	152,153,926	150,001,486

- i) On February 18, 2014, the Company completed a bought deal transaction with a syndicate of underwriters co-led by GMP Securities L.P. and Scotia Capital and including BMO Capital Markets and National Bank Financial (Underwriters) for 15,000,000 ordinary shares at a price CAD1.00 per ordinary share. The Underwriters also exercised their over-allotment option in full and purchased an additional 2,250,000 ordinary shares at the offering price. As a result, the Company issued 17,250,000 ordinary shares at a price CAD1.00 per ordinary share.
- ii) On March 21, 2014, the Company entered into agreements with two of its current strategic investors: International Finance Corporation (“IFC”), a member of the World Bank Group, and the European Bank for Reconstruction and Development (“EBRD”). Pursuant to these agreements, EBRD subscribed for 3,000,000 ordinary shares and IFC subscribed for 1,731,000 ordinary shares of the Company, both at CAD1.00 per ordinary share. The agreement with IFC closed on March 26, 2014, in result the Company issued and sold to IFC 1,731,000 ordinary shares for gross proceeds CAD \$ 1,731,000. On April 16, 2014, the Company issued and sold to EBRD 3,000,000 ordinary shares at price of CAD1.00 per ordinary share.

**12. SHARE BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

	<b>Number of options</b>	<b>Weighted average exercise price US Dollar</b>
Balance at January 1, 2013	4,780,000	2.35
Granted	600,000	1.19
Expired	(825,000)	2.12
Balance at December 31, 2013	4,555,000	2.09
Granted	3,805,000	0.95
Expired	(2,680,000)	0.98
Balance at September 30, 2014	5,680,000	1.53

During the nine month period ended September 30, 2014, 3,805,000 share options were granted to directors, officers and employees of the Company. The weighted average fair value per share options granted during the nine month period ended September 30, 2014 was \$0.60. Options were priced using the Black Scholes Option Pricing Model using the following range of assumptions:

	<u>2014</u>
Expected volatility	70-80%
Expected option life	5 years
Risk free rate	1.3%-1.9%
Dividend yield	0%
Forfeiture rate	0%

During the nine month period ended September 30, 2014, \$1,384,561 (2013:\$1,317,343) was included in employee salaries and benefits expense in the consolidated income statement.

**13. ACCRUED LIABILITIES AND OTHER PAYABLES**

	September 30, 2014	December 31, 2013
	\$	\$
Accrued liabilities and trade payables	1,551,335	581,991
Wage accruals	232,203	365,945
	1,783,538	947,936

**14. RELATED PARTY TRANSACTIONS**

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

Related parties include the Board of Directors, key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. The non-executive members of the Board of Directors do not have employment or service contracts with Lydian International Limited and neither are they entitled to any termination benefits. None of the directors are entitled to pension benefits.

Key management includes the Company's directors and officers. Compensation awarded to key management for the periods indicated below was:

	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
	\$	\$
Salaries and benefits	1,288,035	716,032
Share-based payments	1,056,076	790,434

**15. SUBSEQUENT EVENTS**

The interim condensed consolidated financial statements for the three and nine month period ended September 30, 2014 were approved for issue by the Board of Directors on November 11, 2014 and subsequent events have been reviewed through the date of approval.