LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2015

November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian" or the "Corporation") for the three and nine month periods ended September 30, 2015 ("**Q3 2015**" and **"YTD 2015"**) and are dated November 13, 2015. This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements and the notes thereto as of September 30, 2015. All financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IFRS"). All monetary figures are expressed in United States dollars unless otherwise indicated. Canadian dollars are referred to as "C$".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements, as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the financing (including project funding requirements, financing terms and structure and targeted equity and debt ranges), growth, results of operations, performance, 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", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. 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 MD&A 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 MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals;
- the timing of the receipt of any outstanding regulatory and governmental approvals for the Corporation's projects;
- the ability to meet environmental and social standards and expectations;
- the availability of financing for the Corporation's development of its properties on reasonable terms;
- the equity market;
- the ability to procure equipment and operating supplies in sufficient quantities and on reasonable terms and on a timely basis;
- the ability to attract and retain skilled staff;
- exploration and development timetables;
- capital expenditure and operating cost estimates;

- the Armenian legal system;
- market competition; and
- the accuracy of the Corporation’s mineral resources and mineral reserves estimates including, but not limited with respect to size, tonnes, grade and recoverability and the geological, operational, production cost and price assumptions on which they are based.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly, gold prices, access to skilled mining personnel, results of exploration and development activities, costs and effectiveness or operations, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors referenced in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might change or not occur. The Corporation cautions that the foregoing list of important factors is not exhaustive. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law. See “Forward- Looking Statements” in the Annual Information Form and other filings available on SEDAR at www.sedar.com.

Cautionary Note to United States Investors Concerning 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 U.S. Securities and Exchange Commission (“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.

COMPANY DESCRIPTION

Lydian is an emerging gold developer, focusing on its 100% owned Amulsar Gold Project. Amulsar is a compelling opportunity for a large scale, low cost operation utilizing open pit mining and conventional heap leach processing. It will be Armenia’s largest gold mine, with estimated mineral resources containing 3 million measured and indicated ounces and 2 million inferred ounces. Gold production is targeted to average approximately 200,000 ounces annually during an initial 10 year mine life, with additional upside from existing mineral resources and open extensions.

Q3 2015 HIGHLIGHTS

Value Engineering – Engineering programs focused on reducing initial capital expenditure without increasing operating costs or adversely impacting environmental and social effects. Favorable findings during Q3 2015 demonstrated that a significant initial capital cost reduction will likely be achieved by reconfiguring the crushing plant. Lydian plans to eliminate three of the five cone crushers from the secondary and tertiary circuits and to reduce the number of double deck screens from five to three. The primary gyratory crusher will be replaced by a jaw crusher and the design nominal crush size will be increased from P_{100} 12.5 mm to P_{100} 19 mm. Related findings indicate meaningful operating cost reductions are also expected. Other net capital cost reductions are expected from re-routing the overland conveyor and other refinements to the site layout. An updated technical report (the "Q4 2015 Technical Report") is expected during Q4 2015.

Land Acquisition – The Corporation continued to acquire surface rights within the Amulsar project footprint. Nearly all the land necessary for the Heap Leach Facility (**"HLF**") has been acquired and internal planning has started for acquisition or rental of other required surface rights.

Environmental & Social – Several important environmental programs were advanced as part of Lydian's pre-construction biodiversity commitments. A baseline study of brown bears continued and will conclude once DNA analyses are complete during H1 2016. The program to preserve and protect the *Potentilla porphyrantha* population on Amulsar Mountain advanced following signing of a translocation agreement with the Armenian government. Translocation started during Q3 2015.

RECENT DEVELOPMENTS

Amulsar Gold Project – Project Update

Management continued its evaluation of opportunities to improve Amulsar project economics. The objective of this value engineering program is to reduce capital expenditure without increasing operating cost or adversely impacting environmental and social effects. Findings to date also indicate meaningful operating cost reductions are expected.

The results from this optimization exercise are expected to make Amulsar more amenable to financing by reducing capital costs and improving operating cash flows available for debt service by lower operating costs. Capital cost reductions will most notably be reduced through redesign of the crushing plant and overland conveyor. Operating cost improvements are expected to result from lowering the stripping ratio and reducing consumption of diesel, electricity and reagents.

Results from a metallurgical testing program and a blast fragmentation study were important factors in determining the crushing requirements and gold processing parameters. Lydian plans to eliminate three of the five cone crushers from the secondary and tertiary circuits and to reduce the number of double deck screens from five to three. The primary gyratory crusher will be replaced by a jaw crusher and the design nominal crush size will be increased from P_{100} 12.5 mm to P_{100} 19 mm.

The metallurgical test results indicated reagent consumption will be significantly lower and solution flow rates can be reduced from previously reported amounts. Preliminary solution assay results confirm a rapid rate of gold extraction using lower reagent concentrations than in earlier test programs. The majority of gold was extracted within 14 days with maximum extraction typically occurring in less than 60 days.

Land acquisition for private land parcels within the footprint of the HLF and other plant facilities is approximately 98% complete. Most remaining parcels are subject to administrative procedures, but negotiations for two parcels are ongoing. Expropriation will be utilized if purchase terms or land-for-land swaps cannot be concluded. Certain other parcels will be acquired or rented along the overland conveyor corridor and mine access roads. Planning has started for securing rights to these latter parcels.

Several environmental programs advanced during Q3 2015. The Environmental and Social Impact Assessment ("ESIA") was publically disclosed in late H1 2015. The ESIA is an important document and will be a cornerstone for developing international best practices during construction and operations. Public consultation meetings were held during early Q3 2015. Two key biodiversity studies were advanced, and ongoing air and water monitoring continued.

Biodiversity activities included a baseline study of brown bears and a program to preserve and protect the *Potentilla porphyrantha* population on Amulsar Mountain. The brown bear study involved monitoring the regional population of bears within a 50 km radius of Amulsar and collection of hair samples for DNA analyses. The study is expected to conclude in H1 2016 following completion of DNA lab work and population assessment. A preservation program for *Potentilla porphyrantha* advanced during Q3 2015 following completion of a translocation agreement with the Armenian government. Approximately 1,500 plants were translocated from Amulsar Mountain to a glasshouse constructed by the Corporation. A long-term research program will be carried out in cooperation with Armenia's Institute of Botany of National Academy of Science and Cambridge University Botanical Garden.

The Q4 2015 Technical Report will be issued upon completion of the Value Engineering program, which is expected to conclude during Q4 2015.

Other Projects Update

There were minimal activities associated with other exploration prospects during Q3 2015 and YTD 2015.

BUSINESS OVERVIEW

The Corporation 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 Corporation were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Corporation 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 Corporation was continued under the laws of Jersey from the Province of Alberta. The registered office of Lydian is located at Suite 3, 5/6 Esplanade, St. Helier, Jersey, JE2 3QA, Channel Islands. The administrative office, which operates through Lydian U.S. Corporation, is located at 7000 South Yosemite Street, Suite 201, Centennial, Colorado, 80112, USA. The Corporation also has a local office at 37 Hanrapetutyan Street, 4th floor, Yerevan 0010, Republic of Armenia. The Corporation's Ordinary Shares began trading on the Toronto Stock Exchange ("TSX") on January 10, 2008 under the symbol "LYD".

The Corporation is a gold-focused mineral development Corporation pursuing large, high-quality resources in emerging and transitional geopolitical regions. The Corporation's main project is the Amulsar Gold Project, a gold development-stage project located in the Republic of Armenia. The Technical Report outlines a mine development and construction plan for an operation designed to average over 200,000 ounces of gold per year over an initial 10 year mine life. Existing mineral resources and open extension provide opportunity to improve average annual production and extend mine life.

The Corporation's strategy is to implement mine development and construction plans for the Amulsar Gold Project as described in the Updated Technical Report and to transition to a gold producer. To this end, the Corporation is seeking additional funds to carry out its near-term planned work programs, as described below, and the project financing necessary to fully complete its mine development and construction plans for the Amulsar Gold Project.

SELECTED FINANCIAL INFORMATION

The following is selected information for the three and nine month periods ended September 30, 2015 and 2014.

	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Interest income	$ 1,252	$ 13,858	$ 16,062	$ 72,747
Total expenses	758,666	1,700,359	4,658,569	6,243,426
Net loss	(757,414)	(1,686,501)	(4,642,507)	(6,170,679)
Net loss per share (basic and diluted)	$ (0.00)	$ (0.01)	$ (0.03)	$ (0.04)

The Corporation had no revenues other than interest income from bank deposits in both 2015 and 2014.

For Q3 2015, the Corporation recorded a net loss of $0.8 million ($0.00 per share) compared to $1.7 million ($0.01 per share) during the corresponding period in 2014, a decrease of $0.9 million. The reduction in net loss is due to less salaries and benefits of $0.6 million attributed to vesting of share-based compensation associated with new executives and board members in 2014, and fewer executives in 2015 than in the same period in 2014, a reduction in general and administrative costs of $0.1 million and an increase in other gain (net) of $0.2 million compared to the same period in prior years. The increase in other gain is comprised of a $1.0 million gain in Q3 2015 associated with recoveries and settlement with one of the Corporation's banks related to a breach of its internet banking system, offset by a difference in foreign exchange loss of $0.8 million.

YTD 2015, the Corporation recorded a net loss of $4.6 million ($0.03) compared to $6.2 million ($0.04) in 2014 or a reduction of $1.6 million. The reduction in net loss is due to reduced salaries and benefits of $1.4 million attributed to the vesting of share-based compensation associated with new executives and board members in 2014, fewer executives in 2015 and one-time severance payments made in 2014. Additionally, general and administrative costs are down YTD 2015 compared to same period in 2014 by $0.5 million attributed to lower administrative expenses, lower travel and lower insurance costs offset by a difference in foreign exchange gain of $0.3 million.

There are no extraordinary transactions. There is no income tax expense.

Summary of Balance Sheet Data

The following table summarizes the Corporation's financial position:

	As of	
	September 30, 2015	December 31, 2014
Cash and Short-term Investments	$ 9,665,189	$ 11,048,339
Other Current Assets	1,322,457	1,059,576
Property Plant & Equipment, net	5,550,202	2,433,329
Exploration and Evaluation Asset	65,918,756	58,921,727
Other Non-current Assets	4,043,563	3,208,310
Total Assets	$ 86,500,167	$ 76,671,281
Current Liabilities	$ 2,321,667	$ 1,577,426
Non-current Liabilities	345,671	$ 344,754
Total Equity	83,832,829	$ 74,749,101
Total Liabilities and Equity	$ 86,500,167	$ 76,671,281

Cash and short-term investments of the Corporation decreased by $1.4 million resulting from the net proceeds of the Q1 2015 "bought deal" offering (the "2015 Offering"), and the Q1 2015 private placement with International Finance Corporation ("IFC" and the private placement, the "IFC Private Placement"), offset by operating and investing uses of cash throughout YTD 2015 as set out in the Corporation's statement of cash flows for YTD 2015 and as discussed below.

YTD 2015, the net balance in property, plant and equipment increased by $3.1 million. This resulted from $3.7 million expended for acquisitions of surface rights in the footprint the Heap Leach Facility and the Adsorption-Desorption-Regeneration plant offset by normal charges to depreciation of $0.6 million.

The Corporation's exploration and evaluation assets increased by approximately $7.0 million YTD 2015. Approximately $3.6 million was invested in the Amulsar Gold Project through technical services (value engineering and optimization efforts, metallurgical testing, mine planning and execution planning), $0.9 million through stakeholder engagement activities inclusive of biodiversity studies, salaries ($0.6 million), land rentals ($0.7 million), and other related expenditures. Additionally, depreciation of $0.5 million was capitalized to Amulsar and there were foreign currency translation gains (net) of $0.1 million across both the Amulsar Gold Project and the Kela project in the Guri region of the Ozurgeti province in Georgia (the "Kela Project"). A translation gain was realized as the Armenian dram strengthened slightly against the U.S. dollar. Changes in foreign currency translation gain are recorded directly to other comprehensive income and have no effect on cash.

YTD 2015, the Corporation's current liabilities increased by $0.7 million due to a $1.5 million increase in payables owed to engineering firms and consultants related to the value engineering work, offset by the payment of deferred VAT of $0.4 million related to the importation of equipment and payment during Q2 2015 and $0.4 million for 2014 bonuses.

Equity increased YTD 2015 due to $14.2 million of proceeds from the 2015 Offering and the IFC Private Placement, $0.5 million related to the accrual of share-based compensation reserve, offset by share issuance costs of $1.1 million and a comprehensive loss of $4.6 million.

Summary of Cash Flows

The following table is a summary of cash flows:

	For the nine months ended September 30, 2015	2014 (restated)
Cash used in operations	$ (6,157,594)	$ (5,006,329)
Cash used in investing activities	(7,001,090)	(5,323,933)
Cash generated from financing activities	13,142,107	18,874,821
Increase in cash and cash equivalents	(16,577)	8,544,559
Foreign exchange effect on cash	233,427	(562,064)
Cash and cash equivalents, beginning of period	9,448,339	8,549,127
Cash and cash equivalents, end of period	9,665,189	16,531,622

Cash used in operations YTD 2015 increased by $1.2 million over the same period in 2014 due to increase in receivables of $0.6 million from one of the Company’s banks, payment of VAT $0.4 million related to a 2012 purchase of equipment and $0.2 million of foreign exchange adjustment.

Cash used in investing activities increased by approximately $1.7 million YTD 2015 versus the same period in 2014 primarily related to costs associated with advancing the Amulsar Gold Project, such as surface right acquisition, value engineering, optimization and project execution plan development and ESIA finalization offset by the maturity of a short term investment.

Cash from financing activities YTD 2015 relate to the net proceeds from the 2015 Offering and the IFC Private Placement of $13.2 million versus $18.9 million of net proceeds from a bought deal transaction and private placements with IFC and the EBRD in 2014.

For reporting periods commencing from the year ended December 31, 2014, the Corporation elected to change the presentation in the Statements of Cash Flows to reflect the more widely used “indirect method” of reporting cash flows. Accordingly, the Statement of Cash Flows for the nine month period ended September 30, 2014 was restated to provide comparability with the Statement of Cash Flow for the nine month period ended December 31, 2014. In addition to restating the YTD 2014 cash flows for comparability, an error in allocation between operating cash flow and the foreign exchange effect on cash was corrected. Cash used in operations was decreased by $0.8 million and loss from foreign exchange effect on cash increased by $0.8 million.

These changes had no impact on financial position, net loss, comprehensive loss or financing and investing cash flows previously presented.

Exploration and evaluation assets

Exploration and evaluation assets include the cost of mineral licenses as well as costs incurred directly in exploration and evaluation.

The cumulative amounts of such costs as of September 30, 2015 and December 31, 2014 were:

Project	September 30, 2015	December 31, 2014
Amulsar Gold Project - Armenia	$ 65,473,111	$ 58,376,135
Other Project - Armenia	18,345	-
Kela Project – Georgia	427,300	545,592
Total	$ 65,918,756	$ 58,921,727

Expenditures for exploration and evaluation assets are recorded in the Corporation's accounts in Armenian drams for the Amulsar Gold Project and in Georgian lari for the Kela Project. Both currencies are translated to U.S. dollars for financial statement presentation purposes.

YTD 2015, the increase in the Amulsar Gold Project of $7.1 million, includes approximately $0.2 million as a result of translation exchange rate differences. During 2015 the Armenian dram gained slightly in value towards other currencies including the U.S. dollar. During 2015, the Corporation did not invest significantly in the Kela Project and the U.S. dollar strengthened against the Georgian lari, resulting in a reduction in the exploration and assets balance of approximately $0.1 million. There was no impact on the Corporation's working capital resulting from these translations for reporting purposes.

The following table represents expenditures capitalized at the Amulsar Gold Project YTD 2015 and the corresponding period in 2014:

	For the nine months ended September 30,	
	2015	2014
Project development	4,584,641	3,842,119
Capitalized salaries	638,315	556,124
Land rents	736,434	795,789
Consultants fees	26,238	727,460
Capitalized depreciation and amortization	539,757	646,269
Consumables, Rents, Maintenance, Other	341,139	492,399
State duties and fees	21,141	27,037
	6,887,665	7,087,197

Project development expenditures YTD 2015 included key work programs in the areas of pre-construction activities, value engineering to identify and validate possible improvements to project economics, construction planning, developing a framework for project controls, metallurgical testing, vendor appraisals, completion of the ESIA and several biodiversity studies. By contrast, work programs for the corresponding period of 2014 included initial technical studies and design work for the 2014 Technical Report that was ultimately completed in October 2014.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of results from the Corporation's eight most recently completed quarters:

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Net Sales	$ -	$ -	$ -	$ -
Net loss	$ (757,414)	$ (2,113,061)	$ (1,772,032)	$ (2,835,604)
Net loss per share (basic and diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net Sales	$ -	$ -	$ -	$ -
Net loss	$ (1,686,501)	$ (2,835,604)	$ (1,648,574)	$ (2,451,663)
Net loss per share (basic and diluted	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)

The Corporation's net losses are not significantly impacted by seasonality.

OUTSTANDING SHARE DATA

A summary of outstanding shares and option is set out below.

		As of	
	November 13, 2015	September, 2015	December 31, 2014
Ordinary Shares	184,632,587	184,632,587	152,153,926
Stock options	7,210,000	7,280,000	5,650,000

The Corporation has one class of shares, being Ordinary Shares.

LIQUIDITY AND CAPITAL RESOURCES

Working capital of as of September 30, 2015 was $8.7 million compared to $10.5 million as of December 31, 2014. This decrease in working capital was primarily the result of net proceeds received totaling $13.2 million from issuances of Ordinary Shares during the first quarter of 2015, reduced by cash used to advance the Amulsar Gold Project and general corporate purposes. Most notably, cash expended YTD 2015 included $4.9 million for Amulsar project costs and $3.7 million for land acquisition. The Corporation's principal sources of liquidity as of September 30, 2015 were cash on hand of $9.7 million and a receivable from one of its banks totaling $0.7 million.

At the outset of 2015, management developed pre-construction work programs targeted for completion by the end of year. The intent of these programs, if fully funded, was to prepare the Corporation for construction and financing activities. Estimated costs of these programs were:

	Work Programs (In Millions)
Planning, engineering and early works	$8.8
Drilling	1.4
Land acquisition	5.6
Land access and rental	1.2
Environmental & social	2.0
Debt financing	2.0
General corporate purposes	7.0
	$28.0

Fully advancing these programs was contingent upon sufficient funding. Working capital of $10.5 million at December 31, 2014 plus the $13.2 million of net proceeds from the financings completed during Q1 2015 provided available working capital of $23.7 million. This was sufficient to advance certain key programs, but not enough to complete all programs and maintain an adequate working capital reserve at year end. As a result, work programs were prioritized toward de-risking activities, which included:

- Environmental and social programs – Several key biodiversity programs required advancements prior to being able to commence construction. This included initiating a regional baseline study of Brown Bears and translocation of a portion of the Potentilla population located within the Amulsar footprint. The ESIA was finalized and published, and public consultations were held near the Amulsar project site and in Yerevan. An initial environmental and social alternatives analysis was also initiated as part of the value engineering process.

- Value engineering –Lydian identified a number of optimization concepts, and undertook a value engineering program during Q1 2015 with the objective of reducing capital expenditure without increasing operating cost or adversely impacting environmental and social effects. The program has also demonstrated opportunities to reduce estimated operating costs. Prospects for equipment leasing or moving from self-mining to contract mining also required evaluation.

- Land acquisition – Acquisition of surface rights within the immediate footprint of the Heap Leach Facility was important given the critical path nature of this area.

- Project financing – The gold price trend and financing climate of 2015 required evaluation of a broad spectrum of potential funding sources, ranging from conventional project debt to a number of alternative sources. The outcomes of the value engineering program will also be important to the prospects of securing financing.

Key programs deferred pending completion of the baseline studies and availability of additional funding include non-critical path early works and conversion of lands to industrial usage. See Use of Proceeds, below, for actual expenditures for YTD 2015.

Historically, the Corporation has used net proceeds from issuances of Ordinary Shares as its primary source of working capital to meet near-term exploration and development plans and other contractual obligations when due. However, construction of the Amulsar Gold Project will require substantial additional capital resources to be arranged before significant project construction activities begin. This includes near-term funding requirements and more significant funding for project construction and other costs until the Corporation can achieve positive cash flows from operations.

The project funding requirement for Amulsar will include initial capital costs, financing related-costs, and a form of funding in the event of cost overruns. Lydian expects the ultimate financing arrangement to include one or more leverage components and equity for the remainder. The amount of project debt available from conventional lenders has decreased over the course of 2015 because of declining gold prices, causing a corresponding increase in the amount of equity financing required. Management believes that a conventional financing structure would require an equity contribution in the range of $180 to $190 million, which it believes to be unattainable under current market conditions. As a result, the Corporation is seeking to limit the amount of new equity required by reducing initial capital costs, and also increasing its senior debt capacity by improving its targeted operating cash flows available for debt service. Other leverage sources such as stream financing, equipment lease financing and contract mining are also under consideration as possible alternatives to complement senior debt. Combined with targeted reductions to initial capital costs, which are expected to be realized through value engineering, the Corporation is targeting to reduce the total new equity requirement to between $100 and $110 million. Recognizing the current condition of the equity markets, the Corporation is also seeking equity participation of a strategic nature to provide a significant portion of this reduced equity target. There can be no assurances that project funding will be completed or, if completed, as to the timing and terms of any such financing.

The ability to secure the targeted level of leverage-financing and the ability to source the remaining equity requirement through issuance of Ordinary Shares is uncertain. The Corporation will be required to substantially curtail or defer most activities if near-term or project financing cannot be secured. Completion of the Q4 2015 Technical Report is the final 2015 priority requiring significant uses of working capital. If financing is not forthcoming, other reductions of personnel and costs will be implemented while project financing or other alternatives are sought.

The time periods and the Corporation’s costs related to the milestones as set out above and other estimates contained in studies or estimates prepared by or for the Corporation may differ significantly from those currently expected by the Corporation. There can be no assurance that the actual time periods, access to sufficient funding and the Corporation’s actual costs with respect to these objectives will not be higher than currently expected.

While the Corporation believes it can accomplish its stated business and financing objectives, participation in the exploration for and development of mineral properties has a number of inherent risks. See Additional Information and Risk Factors, below, and the Corporation’s MD&A for the year ended December 31, 2014 for factors that may impact the timing and success of the Corporation’s planned activities in connection with the Amulsar Gold Project.

The Corporation has made certain expenditure, performance and timing commitments to the licensing authorities for the Corporation’s projects. Should these expenditure targets not be met, the applicable licenses are not expected to automatically be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor in whether to renew such licenses.

USE OF PROCEEDS

At the outset of 2015, the Corporation developed pre-construction work programs targeted for completion during 2015. These work programs reflect updated plans and related expenditures, and are estimated to total $28.0 million as described above in Liquidity and Capital Resources. To partially fund these work programs, the Corporation completed the 2015 Offering and the IFC Private Placement during Q1 2015. The stated use of proceeds from the 2015 Offering were set out in the prospectus dated January 28, 2015 ("**2015 Prospectus**"). The table below provides a comparison of the use of proceeds from 2015 Prospectus to the actual use of proceeds YTD 2015.

	2015 Prospectus (In Millions)	2015 Actual (In Millions)
Planning, engineering and early works	$ 3.5	$ 3.6
Drilling	1.4	0.1
Land acquisition	5.5	3.7
Land access and rental	0.6	0.7
Environmental & social	0.8	0.9
Debt financing	1.0	0.2
	$ 12.8	$ 9.2

YTD 2015, the Corporation carried out its work programs within the context of the use of proceeds set out above and funded other expenditures for general corporate purposes from working capital available at December 31, 2014. Generally, actual use of proceeds YTD 2015 were in line with the proposed use of proceeds set out in the 2015 Prospectus. However during Q3 2015 and for the remainder of the year, costs have shifted between land acquisition costs and planning, engineering and early works. Land acquisition costs will be approximately $1.8 million less than in the Prospectus as the cost to convert the land to industrial use will be deferred until 2016. Costs for construction planning, and front end engineering have accelerated in 2015 and drilling costs will be lower than anticipated as Management has concluded that its planned metallurgical drilling program for 2015 will be approximately $1.3 million less than the $1.4 million drilling program as originally envisaged.

LYDIAN INTERNATIONAL LIMITED IN ARMENIA

Summary of payments to the Armenian State Budgets and local community governments (1)

The following information is provided as part of an initiative by Publish What You Pay (a global civil society coalition) to achieve transparency of oil, gas and mining Corporation payments to agencies and representatives of those governments as a first step towards a more accountable system for the management of natural resources.

	For the three months ended Sepetmber 30, 2015	2014	For the nine months ended September 30, 2015	2014
State duty on mining and exploration license	$ -	$ 321	$ 21,179	$ 24,733
Income tax withheld from employees	268,377	134,347	726,185	294,605
Land rent	247,269	385,189	719,626	783,131
Other taxes	3,357	1,909	429,329	25,542
	$ 519,003	$ 521,766	$ 1,896,319	$ 1,128,011

The amounts above were paid in Armenian drams, and converted to US$ using the quarter average exchange rate for this report.

FINANCIAL AND OTHER INSTRUMENTS

The Corporation's financial instruments consist of cash and cash equivalents, short-term investments, other receivables, the rehabilitation prepayment, and accrued liabilities and accounts payable. The fair value of the financial assets and financial liabilities approximates their carrying value. The Corporation's exposure to changes in market interest rates, relates primarily to the Corporation's earned interest income on cash deposits and short term investments. The Corporation maintains a balance between the liquidity of cash assets and the interest rate return thereon. The carrying amount of financial assets, net of any provisions for losses, represents the Corporation's maximum exposure to credit risk. The Corporation does not engage in any hedging activities.

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF BALANCE SHEET ARRANGEMENTS

Significant contracts

During 2015, the Corporation began negotiations with private land owners for parcels of land necessary for the construction of the Amulsar Gold Project. The Corporation is entering into contractual arrangements for the purchase of land in accordance with the Corporation's Land Acquisition and Livelihood Restoration Plan.

Off balance sheet arrangements

On April 23, 2010, the Corporation purchased from Newmont Overseas Exploration Limited (**"Newmont")** all of Newmont's interest in a joint venture between the Corporation and Newmont, including all of Newmont's interest in the Amulsar Gold Project. Consideration included cash installment payments completed by October 2013 and a 3% Net Smelter Royalty (**"NSR"**) payable to Newmont on all production. However, at any time prior to the date that is 20 days following commencement of commercial production, the Corporation may at its option elect to buy back the 3% NSR and instead pay to Newmont the aggregate sum of $20 million, without interest, in 20 equal quarterly installments of $1 million commencing on the first day of the third calendar month following the start of commercial production. Furthermore, the Corporation has a one-time option prior to the commencement of commercial production to prepay these quarterly installments in a single cash payment using an annual discount rate of 10%. This equates to a single payment of approximately $15.7 million.

These potential post production payment(s) do not constitute an "obligation or a constructive obligation", as the triggering event of commercial production has not yet occurred and is not determinable at this time. Therefore, these potential payments are not accrued as liabilities in the interim condensed Consolidated Statement of Financial Condition.

The Corporation does not have any other significant or off-balance sheet arrangements.

RISK FACTORS AND ADDITIONAL INFORMATION

The Corporation faces significant risks and uncertainties causing the mineral resource sector to be highly speculative in nature. Many of these can have material and adverse effects on the valuation of the Corporation's securities, cash flows, financial condition, results of operations, existing business activities, plans and prospects.

Risk factors and additional information relating to the Corporation are discussed in the Corporation's Annual Information Form and other filings available on SEDAR at www.sedar.com.

RELATED PARTY TRANSACTIONS

Related parties include the Corporation's Board of Directors, officers and key management personnel, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. The Corporation does not have any transactions with related parties other than compensation as detailed in this section.

As an incentive mechanism to retain key management, compensation is structured to include short-term incentives of salaries, bonuses, and benefits and long-term incentives in the form of stock options that vest over an extended time. The aggregate compensation awarded to related parties for the periods indicated below was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Salaries and benefits	$ 274,342	$ 400,222	$ 886,968	$ 1,288,035
Share-based compensation	76,913	268,547	325,634	1,056,076
	$ 351,255	$ 668,769	$ 1,212,602	$ 2,344,111

Share-based compensation relates to the portion of stock options that vested during the period.

During Q3 2015 stock options were granted to officers, directors and employees of the Company:

Date of grant	Number of options	Exercise price	Expiry
8/11/2015	80,000	C$ 0.345 ($0.26)	8/11/2020

CRITICAL ACCOUNTING ESTIMATES AND POLICIES AND ACCOUNTING CHANGES

The Corporation's unaudited interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The most significant accounting policies applied and changes in recent accounting pronouncements are described in Note 2 and Note 3 to the Corporation's consolidated financial statements for the year ended December 31, 2014.

In applying the Corporation's accounting policies, 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 the estimated results. The judgments, estimates and assumptions applied in the interim financial period, including the key sources of estimation uncertainty were based upon the same principles as those applied in the last annual financial statements for the year ended December 31, 2014, taking into consideration changes in circumstances that occurred during the interim period.

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements is the policy on exploration and evaluation assets.

In particular, management is required to assess exploration and evaluation assets for impairment. Note 7 to the accompanying unaudited interim condensed consolidated financial statements discloses the carrying values of such assets. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability of exploration and evaluation assets is dependent on a number of factors common to the natural resource sector. These include the extent to which the Corporation can continue to renew its exploration and future development licenses with local authorities, establish economically recoverable reserves on its properties, the availability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation uses the evaluation work of professional geologists, geophysicists and engineers for estimates as outlined in the NI 43-101 technical report in determining whether to commence construction and production. These estimates generally rely on technical data and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization.

The Corporation capitalizes costs associated with exploration and evaluation. Significant judgment is exercised in determining when the exploration phase is complete and the mine development phase commences. Consideration includes the completion of a feasibility study that demonstrates technical and commercial viability. Additional consideration includes Board of Directors approval.

The functional currency of the subsidiaries through which the Corporation conducts its operations varies depending upon the primary economic environment in which they operate. Management exercises judgment in determining the appropriateness of its functional currency. The primary factors assessed in determining functional currency include the currency of revenues, expenditures and inter-company arrangements as well as the currency in which cash and cash equivalents are held.

Changes in accounting policies

The accounting policies applied in preparing the unaudited interim condensed consolidated financial statements were based on applicable IFRS and interpretations effective as at January 1, 2015. There have been no changes from the accounting policies applied in the December 31, 2014 financial statements, except to change the presentation in the statements of cash flows to reflect the more widely used “indirect method”. The change is described in Note 3 of the accompanying unaudited interim condensed consolidated financial statements for the three and nine month periods ended September 30, 2015.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of disclosure controls and procedures (“DC&P”) to provide reasonable assurance that all relevant information required to be disclosed by the Corporation is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. Management is also responsible for the design of internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation’s Chief Executive Officer and Chief Financial Officer have used the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 framework to design the Corporation’s DC&P and ICFR as of September 30, 2015. The Corporation’s Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Corporation’s DC&P and ICFR as of September 30, 2015 and have concluded that these controls and procedures are adequately designed to provide reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation, and to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management of the Corporation 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 other significant changes in the Corporation’s ICFR that occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the interim condensed consolidated financial statements, is the responsibility of management. In the 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 Corporation’s interim condensed consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

PUBLIC SECURITIES FILINGS

Additional information about the Corporation, including its most recent Annual Information Form, is available on SEDAR at www.sedar.com.