LYDIAN INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)
March 31, 2015

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LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(expressed in US Dollars)

	Notes	As of March 31, 2015	As of December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 19,017,971	$ 9,448,339
Short-term investments		1,600,000	1,600,000
Other current assets	5	1,033,109	1,059,576
Total current assets		21,651,080	12,107,915
Non-current assets			
Property, plant and equipment, net	6	3,902,433	2,433,329
Exploration and evaluation assets	7	61,062,633	58,921,727
Other non-current assets	8	3,243,984	3,208,310
TOTAL ASSETS		$ 89,860,130	$ 76,671,281
LIABILITIES			
Current liabilities			
Accrued liabilities and other payables	9	$ 2,767,321	$ 1,577,426
Total current liabilities		2,767,321	1,577,426
Non-current liabilities			
Provisions	10	347,564	344,754
Total Liabilities		3,114,885	1,922,180
EQUITY			
Capital and reserves			
Share capital	11	163,681,569	150,199,754
Employee share option plan reserve		3,618,750	3,755,312
Translation of foreign operations		(17,424,437)	(17,847,360)
Accumulated deficit		(63,130,637)	(61,358,605)
Total equity		86,745,245	74,749,101
TOTAL LIABILITIES AND EQUITY		$ 89,860,130	$ 76,671,281
Subsequent events	17		

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited)

(expressed in US Dollars)

	Notes	For the three months ended March 31, 2015	2014
Interest income		$ 10,379	$ 35,003
Total income		**10,379**	**35,003**
Employee salaries and benefits expense	13	912,543	904,781
General and administrative expense		722,759	959,259
Depreciation and amortization expense		23,447	31,232
Other (gains) losses	14	123,662	(211,695)
Total expenses		**1,782,411**	**1,683,577**
Loss before taxes		(1,772,032)	(1,648,574)
Income taxes		-	-
Net loss		**$ (1,772,032)**	**$ (1,648,574)**
Net loss per share (basic and diluted)	15	**$ (0.01)**	**$ (0.01)**
Other comprehensive loss:			
Net loss		$ (1,772,032)	$ (1,648,574)
Other comprehensive loss:			
Exchange differences arising on translation of foreign operations		422,923	(1,648,179)
Total comprehensive loss		**$ (1,349,109)**	**$ (3,296,753)**

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(expressed in US Dollars)

	Notes	For the three months ended March 31, 2015	2014 *Restated (Note 3)*
Cash flows from operating activities			
Loss for the period		$ (1,772,032)	$ (1,648,574)
Adjustments for:			
Depreciation and amortization		23,447	31,232
Disposal of property and equipment		-	(17,696)
Interest income		(10,379)	(35,003)
Share-based compensation payments	13	177,040	252,098
Operating loss before working capital changes		(1,581,924)	(1,417,943)
Change in other current assets		4,793	(131,153)
Change in accrued liabilities and other payables		(325,073)	(69,805)
Cash used in operations		(1,902,204)	(1,618,901)
Cash flows from investing activities			
Acquisition of property,plant and equipment		(182,112)	(16,798)
Expenditures for exploration and evaluation assets		(1,503,706)	(1,346,524)
Proceeds from short-term investments		-	100,000
Proceeds from disposal of property and equipment		-	26,200
Interest income received		10,379	35,003
Cash used in investing activities		(1,675,439)	(1,202,119)
Cash flows from financing activities			
Proceeds from issuance of share capital, net	11	13,168,213	16,152,021
Cash generated from financing activities		13,168,213	16,152,021
Net increase in cash and cash equivalents		9,590,570	13,331,001
Foreign exchange effect on cash		(20,938)	(434,931)
Cash and cash equivalents, beginning of period		9,448,339	8,549,127
Cash and cash equivalents, end of the period		$ 19,017,971	$ 21,445,197

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

LYDIAN INTERNATIONAL LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(expressed in US Dollars)

		Reserves			
	Share capital	Share-based compensation	Translation of foreign operations	Accumulated deficit	Total
Balance at January 1, 2014	$ 128,388,124	$ 4,709,655	$ (6,445,311)	$ (52,455,393)	$74,197,075
Issue of new shares	17,314,408	-	-	-	17,314,408
Cost of share issue	(1,162,387)	-	-	-	(1,162,387)
Attributable to expired options	476,103	(476,103)	-	-	-
Share based compensation	-	252,098	-	-	252,098
Total comprehensive loss	-	-	(1,648,179)	(1,648,574)	(3,296,753)
Balance at March 31, 2014	$ 145,016,248	$ 4,485,650	$ (8,093,490)	$ (54,103,967)	$87,304,441
Balance January 1, 2015	$ 150,199,754	$ 3,755,312	$(17,847,360)	$ (61,358,605)	$74,749,101
Issue of new shares	14,238,570	-	-	-	14,238,570
Cost of share issue	(1,070,357)	-	-	-	(1,070,357)
Attributable to expired options	313,602	(313,602)	-	-	-
Share based compensation	-	177,040	-	-	177,040
Total comprehensive loss	-	-	422,923	(1,772,032)	(1,349,109)
Balance at March 31, 2015	$ 163,681,569	$ 3,618,750	$(17,424,437)	$ (63,130,637)	$86,745,245

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

1. GENERAL INFORMATION

Lydian International Limited (the "Corporation") 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 Corporation is Suite 3, 5/6 Esplanade, St Helier, Jersey JE2 3QA Channel Islands. The Corporation's ordinary shares ("Ordinary Shares") began trading on the Toronto Stock Exchange ("TSX") on January 10, 2008 under the symbol "LYD".

The Corporation, together with its subsidiaries, (the "Group") is a mineral exploration and development company focusing on emerging and transitional environments, including precious and base metal assets located in Armenia and Georgia under exploration licenses granted by local authorities. The Group's main exploration project is the Amulsar Gold Project, located in Armenia. In conducting operations in Armenia and Georgia, the Corporation 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 emerging markets. The Corporation'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.

These unaudited interim condensed consolidated financial statements of the Corporation as of and for the three month period ended March 31, 2015 are comprised of the Corporation and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Corporation is the ultimate parent.

2. BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. The accounting policies applied in these financial statements are consistent with those used in the Corporation's audited consolidated financial statements for the year ended December 31, 2014. There have been no changes from the accounting policies applied in the December 31, 2014 financial statements.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these financial statements are consistent with those applied and disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2014. For a description of the Corporation's critical accounting estimates and assumptions, please refer to the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

3. ACCOUNTING CHANGES

Statements of cash flows presentation

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 three month period ended March 31,

2014 was restated to provide comparability with the Statement of Cash Flow for the year ended December 31, 2014. In addition to restating the Q1 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 $638,390 and loss from foreign exchange effect on cash increased by $638,390. These changes had no impact on financial position, net loss, comprehensive loss or financing and investing cash flows previously presented.

Change in functional currency

Effective January 1, 2015, the Corporation determined that a change to its functional currency was appropriate from the Canadian Dollar to the U.S. Dollar as it became evident that the underlying transactions and events are predominantly denominated in U.S. Dollars. This shift occurred as a greater percentage of expenditures for technical and administrative services are denominated in U.S. Dollars. No other entities in the Group were affected by this change in functional currency. This change in judgement has been accounted for prospectively in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, in banks and investments in money market instruments. Components of cash and cash equivalents are as follows:

	As of	
	March 31, 2015	December 31, 2014
Cash	$ 19,017,971	$ 9,448,339
	$ 19,017,971	$ 9,448,339

5. OTHER CURRENT ASSETS

	As of	
	March 31, 2015	December 31, 2014
Supplies	$ 155,504	$ 152,197
Refundable VAT	482,850	492,521
Deposits	135,431	154,707
Other receivables and prepayments	259,324	260,151
	$ 1,033,109	$ 1,059,576

6. PROPERTY PLANT AND EQUIPMENT

	Machinery, equipment and vehicles	Land and fixtures	Office equipment and other	Total
Cost				
As of December 31, 2014	$ 3,782,721	$ 54,374	$ 721,895	$ 4,558,990
Additions	5,339	1,637,160	(1,374)	1,641,125
Disposal	(5,938)	-	-	(5,938)
Exchange differences	12,346	22,475	4,722	39,543
As of March 31, 2015	$ 3,794,468	$ 1,714,009	$ 725,243	$ 6,233,720
Accumulated Depreciation				
As of December 31, 2014	$ 1,669,974	$ 8,066	$ 447,621	$ 2,125,661
Additions	176,019	601	26,989	203,609
Disposal	(5,776)	-	-	(5,776)
Exchange differences	4,777	74	2,942	7,793
As of March 31, 2015	$ 1,844,994	$ 8,741	$ 477,552	$ 2,331,287
Carrying Amount				
As of December 31, 2014	$ 2,112,747	$ 46,308	$ 274,274	$ 2,433,329
As of March 31, 2015	$ 1,949,474	$ 1,705,268	$ 247,691	$ 3,902,433

Depreciation expense for the periods presented was capitalized to the exploration and evaluation asset balance, with the exception of $23,447 (2014: $31,232) which was charged to net loss.

7. EXPLORATION AND EVALUATION ASSETS

The net balance of exploration and evaluation assets as of March 31, 2015 increased by $2,140,906. During the three month period ended March 31, 2015, $1,550,124 was incurred at the Amulsar Gold Project through technical services (feasibility study review, value engineering and optimization, project execution plan development), Environmental, Social Impact Assessment ("ESIA") studies, salaries, land and equipment rentals, and other related expenditures.

	Armenia Amulsar Gold Project	Georgia Kela Project	Total
Cost			
As of December 31, 2014	$ 58,376,135	$ 545,592	$ 58,921,727
Additions	1,730,286	-	1,730,286
Exchange difference	499,752	(89,132)	410,620
As of March 31, 2015	$ 60,606,173	$ 456,460	$ 61,062,633

Additions to exploration and evaluation assets for the three month period ended March 31, 2015 included non-cash charges for depreciation totaling $180,162 (2014: $216,717).

8. OTHER NON-CURRENT ASSETS

	As of	
	March 31, 2015	December 31, 2014
Refundable VAT	$ 3,070,378	$ 3,036,108
Rehabilitation prepayment	92,737	90,471
Monitoring prepayment	80,869	81,731
	$ 3,243,984	$ 3,208,310

9. ACCRUED LIABILITIES AND OTHER PAYABLES

	As of	
	March 31, 2015	December 31, 2014
Accrued liabilities and trade payables	$ 2,147,024	$ 589,498
VAT payable	418,509	415,125
Wage accruals	201,788	572,803
	$ 2,767,321	$ 1,577,426

10. PROVISIONS

The provision for restoration and rehabilitation represents the present value of future outflow of economic benefits that will be required by the mining agreement signed between Geoteam and the Armenian Government. The provision recognized as of March 31, 2015 and December 31, 2014 relates only to the rehabilitation of Amulsar mine areas affected by exploration activities as physical development of the mine has not commenced.

	Provisions
Balance as of December 31, 2014	$ 344,754
Additions, net	-
Exchange difference	2,810
Balance as of March 31, 2015	$ 347,564

11. SHARE CAPITAL

Share capital consists of one class of fully paid Ordinary Shares, with no par value. The Corporation is authorized to issue an unlimited number of Ordinary Shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Corporation's shareholders' meetings.

	Number	Value
Shares outstanding, December 31, 2014	152,153,926	$ 150,199,754
Shares issued for cash, net of issuance costs	32,478,661	13,168,213
Amount attributable to expired options	-	313,602
Shares outstanding, March 31, 2015	184,632,587	$ 163,681,569

On February 4, 2015, the Corporation completed a bought deal transaction with a syndicate of underwriters (the "2015 Offering"). The Corporation issued and sold 30,000,000 ordinary shares at a price C$0.55 ($0.44) per ordinary share. Proceeds net of issuance costs were $12,082,293.

In connection with the 2015 Offering, International Finance Corporation ("IFC") exercised its pre-emptive right to purchase Ordinary Shares of the Corporation on a private placement basis, which included an aggregate of 2,478,661 Ordinary Shares at a purchase price of C$0.55 ($0.44) per Share, for aggregate gross proceeds of $1,085,920. The private placement to IFC closed on March 25, 2015.

12. SHARE-BASED COMPENSATION

	Number of Options	Weighted Average Exercise Price
Balance as of December 31, 2014	5,650,000	$ 1.15
Granted	-	-
Expired	(610,000)	0.66
Balance as of March 31, 2015	5,040,000	$ 1.09

	Outstanding options			Exercisable options	
Range of exercise price	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0 to $0.79 (CAD$0-$1)	1,305,000	4.23	$ 0.70	582,500	$ 0.74
$0.8 to $1.58 (CAD$1.01-$2)	2,490,000	4.01	0.89	1,645,000	0.89
$1.59 to $2.37 (CAD$2.01-$3)	1,245,000	0.70	1.91	1,245,000	1.91
	5,040,000	3.25	$ 1.09	3,472,500	$ 1.23

13. EMPLOYEE SALARIES AND BENEFITS EXPENSES

	For the three months ended March 31, 2015	2014
Salaries and other compensation	$ 735,503	$ 652,683
Share-based compensation	177,040	252,098
	$ 912,543	$ 904,781

14. OTHER

	For the three months ended March 31, 2015	2014
Disposal of equipment (gain)	$ -	$ (17,696)
Foreign currency loss (gain)	149,392	(193,099)
Other (gains)	(25,730)	(900)
	$ 123,662	$ (211,695)

15. NET LOSS PER SHARE

Weighted average shares outstanding are as follows for the period ended:

	For the three months ended March 31, 2015	2014
Net loss	$ (1,772,032)	$ (1,648,574)
Weighted average shares outstanding	171,013,378	138,338,326
Net loss per share	$ (0.01)	$ (0.01)

As a result of the losses incurred during the three month periods ended March 31, 2015 and 2014, 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 the periods presented are the same.

16. RELATED PARTY TRANSACTIONS

The parent and ultimate controlling party of the Group is Lydian International Limited. No individual party had overall control of the Corporation or Group during the periods being presented. Transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, 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.

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

	For the three months ended March 31,	
	2015	2014
Salaries and benefits	$ 293,218	$ 311,194
Share-based compensation	121,857	246,755
	$ 415,075	$ 557,949

There were no options granted during the three months ended March 31, 2015.

17. SUBSEQUENT EVENTS

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Directors on May 13, 2015 and subsequent events have been reviewed through the date of approval.