LYDIAN INTERNATIONAL LIMITED
Management's Discussion and Analysis
of the Consolidated Financial Condition and Results of Operations
for the six months ended June 30, 2008
(All monetary figures are expressed in British Pound unless otherwise stated)

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 "Company") for the period ended June 30, 2008. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto. The Company's financial statements are prepared in accordance with International Accounting Standard 34 on interim financial statements. Additional Company information, including the Company's most recent Financial Statements and Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.lydianinternational.com.
This information is provided as at August 14, 2008.

OVERVIEW

The Company, formerly Dawson Creek Capital Corp., was incorporated under the *Business Corporations Act* (Alberta) on February 14, 2006 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. On December 12, 2007, the Company consolidated its outstanding share capital on the basis of two post-consolidation shares for each three post-consolidation shares, continued from the Province of Alberta to Jersey, Channel Islands, and changed its name to Lydian International Limited.

The Company's common shares began trading on the Toronto Stock Exchange ("TSX") on January 10, 2008 under the symbol "LYD".

The Company is a diversified Jersey based mineral exploration and development company operating in emerging exploration environments. The Company is currently focused on projects in Eastern Europe, exploring in the Balkan and Caucasus regions and developing a precious metal asset in Armenia and an advanced base metal asset in Kosovo.

The Company's two main projects are gold at Amulsar in Armenia and zinc, lead, silver and gold at Drazhnje in Kosovo. Lydian also has a pipeline of gold and base metal exploration projects in the Balkans and Caucasus regions. In the Caucasus the Company operates a 50/50 gold and copper exploration joint venture (the "Newmont Joint Venture") with Newmont Overseas Exploration Limited ("Newmont"), a subsidiary of Newmont Mining Corporation (NSYE & ASX:NEMS, TSX:NMC). The Company's two largest shareholders are Newmont Mineral Holdings B.V., and International Finance Corporation (part of the World Bank Group).

The Company is committed to create shareholder value through its disciplined but opportunistic business model. The Company has assembled a pipeline of mining projects at various stages of development. The Company currently has projects in: (1) the resource estimate stage; (2) the scoping and advanced exploration stage; and (3) the early exploration stage. Lydian intends to maximize the potential of and realize value through the exploration and development of its existing properties.

CAUTIONAR Y NOTE REGARDING FORWARD -LOOKING STATEMENTS

This MD&A contains "forward-looking statements" that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price and the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency

fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation.
Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or that state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral resources; fluctuations in metal prices, as well as those risk factors discussed or referred to in this MD&A under the heading “Risk and Uncertainties” and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and Jersey. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change.

Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.
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.

REVIEW OF ACTIVITIES

Exploration activity

Amulsar: Armenia

The Amulsar license areas, discovered by Lydian in 2006, cover a region of high-sulphidation, epithermal-type gold mineralisation located in central Armenia. The Amulsar project forms part of the Newmont Joint Venture.

The exploration licences are held 100% by Geoteam JSC (“Geoteam”), an Armenian registered closed joint stock company. The outstanding shares of Geoteam are held 95% by Lydian Resources Armenia Ltd (a subsidiary of Lydian International Limited) and 5% by a local Director.

In 2007, Lydian advanced the project to scout drilling stage by conducting mapping, soil sampling, trenching and rock-chip sampling. The Company identified an approximately 3.5 km long zone of anomalous gold mineralization following a northwesterly oriented high ridge top. More detailed work identified three discrete prospect areas located along and parallel to this northwesterly ridge. These prospect areas are known from north to south as the Erato, Tigranes and Artavasdes zones. Five scout diamond drill holes totaling 591m were drilled in the late summer of 2007 and represent the very first subsurface test of the gold potential at Amulsar (see Appendix 1 Table X). Four of these holes (Holes DDA-001 through 004) tested the Tigranes zone while one hole (DDA-005) was a step out to test the Erato zone located some 2km to the northwest. Drilling intersected oxidized mineralization to down-hole depths of approximately 150m. The Company did not encounter sulphide mineralization in any of these drill holes. In light of the results (which included DDA-004; 53m at 2.6g/t gold), the Company determined to carry out further drill testing and consequently a 20,000m drill programme was contracted for the field season 2008.

Results returned to-date for the year 2008 have been consistent and highly encouraging (see Appendix 1 Table X). With some of the more notable intersections returned to-date being RCA-010; 77m at 2.30g/t gold, DDA-007; 63m at 1.06g/t gold, DDA-006; 46m at 1.67g/t gold, RCA-004; 40m at 1.07g/t gold and RCA-001; 37m at 1.38g/t gold. Some drill holes have intersected locally higher-grade intervals at greater than 1g/t gold and containing significant amounts of silver. To-date drilling has defined a 700m long zone of gold mineralization, which remains open in all directions.

The drill programme for 2008 is approximately 25% complete as of the date of this MD&A. Management considers the results to date to be highly positive, supporting the contention that there is potential for the Amulsar project to host in excess of 1M Oz gold.

The Amulsar project is currently being explored as part of a joint venture with Newmont Overseas Exploration Limited, a wholly owned subsidiary of Newmont Mining Corporation (NYSE & ASX: NEM; TSX: NMC). The joint venture is a 50%-50% contribution. Newmont has two options to increase its interest. The first is an option to earn a further 20% by funding the project through to feasibility; the second option allows Newmont to earn a further 10% by funding through to commercial production.

Drazhnje: Kosovo

Drazhnje is a historic zinc, lead, silver exploration project with former Yugoslav resources (not JORC compliant) of 4.7Mt at 4.9% Zn, 2.4% Pb and 45ppm Ag in categories A + B + C1 and a further 2Mt at 5.8% Zn, 3.2% Pb and 45ppm Ag in category C2. The project was explored and by surface drilling and two levels of underground exploration development but was abandoned in 1989 and never put into production.

Lydian completed a 2500m drilling programme at Drazhnje in 2007. The drilling program confirmed the presence of the former Yugoslav resource and identified extensions of base metal and gold mineralisation located along-strike and outside of this resource at the St George and Trpeza prospect areas (see Appendix 2 Table Y).

Drilling during 2008 has developed the mineralised extensions discovered during 2007 and is now uncovering further base-metal and gold mineralisation additional to the existing historical resource particularly in the St Barbara area where high-grades of up to 13m at 21.0% Zn, 7.1% Pb, 25.3g/t Ag and 0.53g/t Au have been intersected (see Appendix 3 Table Z).

Drill testing of the Trpeza prospect at the northern extent of the Drazhnje project area is continuing in the hope of identifying high-grade feeder structures using recently acquired geophysical data.

Lydian has contracted with a local mining company to re-open the historic exploration access at Drazhnje. Work has started and has progressed over a distance of some 150m to-date (695-level; St. George). This is the first time in 20-years that underground exploration access has been opened at Drazhnje. The 695 portal commences in base-metal sulphide mineralization. The Company intends to test the extent of this mineralisation by carrying out underground channel sampling. In addition, the Company intends to conduct further channel sampling in the main body incorporating the historic resource as soon as it attains complete access.

Crepulje: Kosovo

Crepulje is a high-grade zinc-lead oxide project of approximately 5km strike-extent in northern Kosovo. During 2007, reconnaissance rock-chip and soil sampling was conducted and returned very high-grades for zinc.

Work to-date for 2008 has included the cleaning and re-sampling of historic trenches and scout diamond drilling. Trench results were significantly higher and more consistent than historic sampling. The most encouraging result was from Trench 2, which assayed 32 metres at 25.89% zinc, and 3.86% lead along its entire length. Other highly significant results include: Trench 1; 25 metres at 14.74% zinc and 1.82% lead; Trench 3; 23 metres at 12.53% zinc and 1.10% lead; and Trench 6; 15 metres at 21.53% zinc and 1.53% lead (all using 1% zinc cut-off and maximum internal dilution of 2metres).

Results from the scout-drilling programme are pending.

Rahovec: Kosovo

Lydian's Rahovec license is located in central Kosovo. Results from reconnaissance soil and rock-chip sampling conducted during 2007 identified a gold anomalous zone of approximately 1km strike length and 100m width with a maximum soil geochemical result of 1.89ppm and gold and rock-chip results of up 7.9g/t gold and 0.9% copper.

Soil and rock-chip geochemistry also identified a large nickel and cobalt anomaly of some 1km^2 in aerial extent and open to the north and east.

The Company completed a 12-hole scout-drilling program at Rahovec this year. Most of the drill-holes were only partially sampled and were aimed principally at testing the gold mineralisation and to a lesser extent known occurrences of the nickel and cobalt mineralisation. Significant nickel mineralisation has been identified from surface in all drill holes and to down-hole depths in excess of 100m (best results 107m@ 0.24% nickel and 74m@ 0.22% Ni) where complete drill holes were sampled. In partially sampled drill holes, the best intersection over the entire 10m sampled interval was 0.35% nickel. Gold and copper mineralisation appears to be limited to a discrete near surface zone of approximately 6m thickness (best results 5m@ 1.5g/t gold and 0.2% copper).

The Company is currently conducting analyses for platinum group elements and petrographical test work. Lydian is considering inviting joint-venture partners with nickel expertise to help develop this project.

Muratdag: Turkey

As part of the Newmont Joint Venture, Lydian acquired a 50% interest in Newmont's Muratdag gold-nickel project in Western Turkey. The Muratdag project is extensive, comprising 23 individual exploration licence areas and totalling approximately 66.22 square kilometres.

Muratdag was discovered by Newmont during a regional BLEG survey in 2004. Since then, grid soil sampling and reconnaissance rock-chip sampling has identified two zones of gold and nickel mineralisation extending over a strike length of more than 2km with soil samples of greater than 1ppm Au and .6% Ni and rock-chip highs of 2ppm Au and .6% Ni. Work conducted during 2007 revealed that mineralisation is related to peridotitic bodies and is hosted in through-going faults and overlying coarse clastic sediments.

Lydian and Newmont are currently seeking a joint-venture partner to help develop this project.

Regional Exploration and New Frontiers

Lydian is committed to maintaining a pipeline of quality projects and opportunities. The Company is currently exploring for further high-sulphidation epithermal gold and porphyry-style projects in Armenia and has two further license applications in process. In Kosovo the Company has license applications in over areas of Pb-Zn potential.

Lydian is actively researching and identifying new environments where it can take full advantage of the technical and management team's skills and experience as first mover explorers.

Qualified Person

Dr Tim Coughlin, MAusIMM; is the Qualified Person overseeing Lydian's exploration programmes for purposes of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Dr. Coughlin has supervised the preparation of the technical information contained in this press release.

Lydian employees are instructed to follow standard operating and quality assurance procedures intended to ensure that all sampling techniques and sample results meet international reporting standards. All assay work for the released results was carried out by ALS Chemex analytical laboratory in Rosia Montana, Romania, in Perth Australia, or in Vancouver, BC. Please see Lydian's web site for more information.

FINANCIAL RESULTS OF OPERATIONS
SELECTED FINANCIAL INFORMATION

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). Certain non-IFRS measures are discussed in this MD&A which are clearly disclosed as such. All monetary amount references in this document are to British Pounds unless otherwise indicated.

Statement of Operations

The following is a summary of selected information for the three and six month period ended June 30, 2008 and the year ended December 31, 2007 and comparative financial information for the corresponding interim periods in the Company's previous financial year.

British Pounds	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	£	£	£	£
Interest income	36,249	22,879	76,084	34,130
Total expenses	240,499	192,504	771,770	520,756
Net income (deficit)	(204,250)	(169,625)	(695,686)	(486,627)
Loss per share (basic and diluted)	0.01	0.01	0.02	0.02

During the three and six month periods ended June 30, the Company had no revenues. Its only income was bank interest and contributions received from Newmont in connection with the Newmont Joint Venture. In these periods, the Company recorded a loss of GBP 204,250 (1 pence per share) and GBP 695,686 (2 pence per share), respectively, compared to GBP 169,625 (1 pence per share) and GBP 486,626 (2 pence per share) during the corresponding periods in 2007.

The increase of losses mainly relates to increase of commodity prices and operation expansion.

Income Tax Expense

There was no tax payable for the Group in the three and six month periods ended June 30 and during the same periods in 2007. As at June 30, the Company had taxation losses of £1,311,420 (December 31, 2007 £1,103,010) that had not been recognised as there is insufficient evidence of taxable profit in the near future.

Summary of Operating Cash Flows, Investing and Financing Activities

The following table summarises the Company's cash flow for the three and six month periods ended June 30, 2008 and June 30, 2007:

British Pounds	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	£	£	£	£
Receipts from joint venture partner	173,303	75,172	302,616	75,172
Net cash provided (used) by operating activities	(79,490)	355,269	(1,056,872)	40,893
Net cash used by investing activities	891,613	290,602	1,072,972	412,080
Net cash provided (used) by financing activities	59,600	36,658	137,509	324,583

Summary of Balance sheet data

The following table summarises the Company's balance sheet data as at dates indicated:

GBP	As at June 30, 2008	As at December 31, 2007
Current assets	4,780,986	6,455,357
Property, plant and equipment	246,115	134,013
Intangible assets	37,621	-
Deferred Exploration Expenses	2,064,309	900,554
Total Assets	7,129,031	7,489,924
Current Liabilities	539,203	412,527
Shareholders` Funds	6,589,828	7,077,397

The expenditures incurred by the Company in the three and six month periods ended June 30, 2008 were comprised primarily of remuneration for its employees, contractors and directors, costs relating to the Company's offices in Kosovo and Armenia and exploration site overheads. Deferred exploration expenditures incurred during these periods were GBP 904,048 and GBP 1,163,755 for the three and six month periods ended June 30, 2008 compared to deferred expenditures of GBP 233,391 and GBP 360,924 in the corresponding periods in 2007A. These deferred exploration expenditures were related to exploration work on the Company's exploration projects as follows:

Deferred Exploration expenses by projects

The following table summarises the Company's deferred exploration expenses:

GBP	Commulative as at June 30, 2008	Commulative as at December 31, 2007
Kosovo		
• Draznja	1,325,273	585,958
• Rahovec	11,019	15,325
• Crepulja	21,259	9,013
Armenia		
• Amulsar	706,759	290,258
Total	2,064,309	900,554

Outstanding share data

The Company has one class of issued equity shares, being ordinary shares.
A summary of outstanding shares and warrants and options is set out below.

	As at August 14, 2008	As at June 30, 2008	As at December 31, 2007
	Number	Number	Number
Ordinary shares	39,882,929	39,882,929	39,165,763
Rolling stock optionplan	500,000	500,000	400,000
Other,Warrants/Options	15,267,146	14,919,816	15,104,816

MANAGEMENT AND STAFFING

During the three and six month period ended June 30, 2008, there were not changes in management of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Lydian had working capital of GBP 4,780,986 as at June 30, 2008, compared to GBP 6,455,357 on December 31, 2007. The Company had total assets of GBP 7,129,031 at June 30, 2008, compared to GBP 7,489,924 on December 31, 2007, which included deferred exploration expenditures amounting to GBP 2,064,309 (GBP 900,554 on December 31, 2007). The Company's principal source of liquidity as at June 30, 2008 was cash amounting to GBP 3,894,904 compared to GBP 6,009,767 on December 31, 2007. Cash surplus to the Company's requirements were invested in money market deposits.

The Company's sole source of funds is presently equity finance. The Company has sufficient funds to carry out its planned exploration activities until the end of the year.
Lydian's liquidity is affected by a number of key factors and risks. Reference is made to the "Risks and Uncertainties" section of the MD&A for a discussion of these factors and their impact on the Company's liquidity.

The Company forecasts that the 2008 direct exploration expenditure required to maintain its current right of tenure to its exploration projects and to carry out its plans will amount to approximately GBP 2,900,000. The Company has made certain expenditure commitments to the licensing authorities for the Company's projects. Should these expenditure targets not be met, the applicable licences will not be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor on whether to renew such licences.

The above cost includes exploration costs directly attributable to the Company's projects and directly attributable overheads including the estimated contribution from Newmont, the Company's joint venture partner, in respect of the Newmont Joint Venture property at Amulsar in Armenia. It does not include costs relating to head office corporate activities or any new potential projects.

The Company has contractual obligations due within the next five years as follows:

Contractual Obligations

GBP	Total	Up to 1 year	1-3 years	4-5 years
Operating lease obligations	45,973	35,018	10,955	-
Purchase obligations	134,676	134,676		-
Total contractual obligations	180,649	169,694	10,955	-

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The net fair value of the financial assets and financial liabilities approximates their carrying value. The Company's exposure to changes in market interest rates, relates primarily to the Company's cash deposits. The Company 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 Company's maximum exposure to credit risk.

OF BALANCE SHET ARANGEMENTS

The Company does not have any off-balance sheet arrangements, and management does not anticipate entering into any such arrangements in the near future.

RISKS AND UNCERTAINTIES

The following risks and uncertainties, among others, should be considered when evaluating the Company and its outlook.

Metal Prices

The Company is in exploration and development of gold, zinc, lead and silver metals resources and realisation of its discoveries and developments will depend on metals` international prices.

Foreign Exchange

The Company operates internationally and is therefore exposed to foreign exchange risks arising from foreign currency fluctuations. The Company raises finance in Canadian Dollars, accounts in British Pounds and incurs expenses in mainly five currencies – the Euro, the British Pound, the U.S. dollar, the Canadian dollar and the Armenia Dram. The Company's risk management policy is to hold cash in the Euro, British Pound, the U.S. dollar and the Canadian dollar, broadly in line with its currency expenditure forecasts. The Company does not currently hedge its foreign exchange exposure.

Counterparty Risk

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics other than to Newmont (see *Related Party Transactions* below).We do not anticipate a loss for non-performance by any counterparty with whom we have a commercial relationship.

Taxation Risk

The Armenia and Kosovo tax systems could impose substantial burdens on the Company. The Company is subject to a broad range of taxes imposed at federal, regional and local levels. Laws related to these taxes have been in force for a relatively short period relative to tax laws in more developed market economies and few precedents with regard to the interpretation of these laws have been established. No assurances can be made that any new tax laws introduced by the Governments of these countries will not result in the Company having to pay significantly higher taxes, which could have a materially adverse effect on the Company's business.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses.

Exploration

Exploration is highly speculative in nature and exploration projects involve many risks that even a combination of careful evaluation, experience and knowledge may not eliminate. If a site with gold or other precious metal mineralization is discovered (and this may not happen), it may take several years from the initial phases of drilling until production is possible, if at all. Substantial expenditures are normally required to locate and establish mineral reserves and to construct mining and processing facilities. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Political

The majority of the Company's operations are carried out in eastern Europe and Eurasia and, as such, the Company's operations are exposed to various levels of political risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable regulatory and judiciary process; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in mining or investment policies or shifts in political attitude in eastern Europe and Eurasia may adversely affect the Company's operations and financial condition. Failure to comply with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

Insurance

The Company's business is subject to a number of other risks and hazards, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, hurricanes and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with Company's operations.

The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Government Laws and Regulations

The activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, toxic substances, land use, water use, land claims of local people and other matters. Although the Company currently carries out its operations in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. The Company's operations and development activities are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that the Company will be successful in obtaining or maintaining the necessary licences and permits to continue its exploration and development activities in the future.

Financing

The only source of future funds presently available to the Company for further exploration programs or, if such exploration programs are successful, for the development of economic ore bodies and commencement of commercial production thereon, is the sale of equity capital. It may also be necessary, in some circumstances for the Company to offer an interest in its properties to be earned by another party carrying out further exploration or development.

Management was successful in accessing the equity markets during the year ended December 31, 2007, but there is no assurance that such sources will be available on acceptable terms in the future. Failure to obtain sufficient financing may result in delay or indefinite postponement of development on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Labour Relations

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees may have a material adverse impact on the Company's business, results of operations and financial condition.

RELATED PARTY TRANSACTIONS

The Company operates the Newmont Joint Venture with Newmont, the holder of approximately 13% of the Company's issued and outstanding shares. The Newmont Joint Venture agreement relates to, among other things, the Amulsar exploration project in Armenia. The Newmont Joint Venture agreement currently requires that costs incurred on the project are to be shared equally between the Company and Newmont with the future option of a carried interest available to either party once the project goes to the feasibility or development stage. Newmont paid the Company GBP 715,605 during the six months ended June 30, 2008 for its share of the costs relating to a drilling contract.

The remuneration of directors and key management during the six months ended June 30, 2008 and June 30, 2007 is as follows. The directors and key management are the directors of the Company and the sole director and country manager of Geoteam CJSC. The director of Geoteam CJSC holds 5% of the shares in Geoteam CJSC.

	Six months ended June 30, 2008	Six months ended June 30, 2007
Aggregate emoluments	131,864	48,000
Share based payments	-	-

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Management is required to make estimates in preparation of its financial statements conforming with IFRS and IAS. Critical accounting estimates represent estimates that are highly uncertain and could materially impact the financial statements. These estimates affect the reported amount of assets and liabilities as well as the revenues and expenses. Changes to these estimates may result in material changes to these line items. The critical accounting estimates made by the Company relate to the following items:

Capitalization of Exploration Expenses

Exploration and development expenses are capitalized and amortization is deferred until the commencement of commercial production. The estimate of mineral resources is a complex process and requires significant assumptions and estimates regarding economic and geological data. Any revision to any of these estimates could result in the impairment of the capitalized exploration expenses. As a result, there could be a material impact on the asset balance.

Income Taxes

In determining both the current and future components of income taxes, the Company interprets tax legislation in a variety of jurisdictions as well as makes assumptions as to the expected time of the reversal of future tax assets and liabilities. If the interpretations or assumptions differ from the tax authorities or if the timing of the reversal is not properly anticipated the provision for or relief of taxes could increase or decrease in future periods.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including The Company's President and Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the President and Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS AND PROCEDURES

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2007. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that the design of these internal controls and procedures over financial reporting was effective.

There have been no material changes in the Company's internal control over financial reporting during the Company's interim period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMEMTS

The information provided in this report, including the 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 accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

OTHER INFORMATION

Additional information is available on the Company's website at www.lydianinternational.com or on the SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates or other opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward looking statements.

Appendix 1 Table X

TABLE X, Interim Results from Drilling at Amulsar (Intersections greater than 1g/t gold)

Year	Drill Hole	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intersection (m)	Gold (g/t)	Silver (g/t)
2007	DDA-001	-45	270	127.25	50.40	57.20	6.80	1.15	
	DDA-002	-90	0	69	14.00	17.00	3.00	1.40	
					63.00	69.00	6.00	1.13	
	DDA-003	-45	100	111	1.00	52.00	51.00	1.02	
					98.75	107.00	8.25	1.21	
	DDA-004	-45	270	145	0.00	53.00	53.00	2.60	
					109.00	133.00	24.00	1.02	
			Including		*3.00*	*27.00*	*24.00*	*5.95*	
	DDA-005	-80	110	140	107.00	112.00	5.00	1.03	
2008	DDA-006	-60	300	163.3	0.00	46.00	46.00	1.67	
			Including		*6.00*	*35.00*	*29.00*	*2.49*	
	RCA-001	-60	300	64*	1.00	38.00	37.00	1.38	
			Including		*2.00*	*13.00*	*11.00*	*3.11*	
	RCA-002	-60	300	150	0.00	2.00	2.00	2.27	
					23.00	28.00	5.00	0.96	
					41.00	45.00	4.00	1.00	
					66.00	71.00	5.00	1.00	
			Or		*15.00*	*71.00*	*56.00*	*0.56*	
	RCA-003	-60	300	22*	Bogged at 22m & nothing greater than 1g/t gold				
	RCA-004	-60	300	142	3.00	4.00	1.00	1.20	
					27.00	67.00	40.00	1.07	
					110.00	112.00	2.00	1.08	
					133.00	142.00	9.00	3.45	
	RCA-005	-60	300	118	46.00	66.00	20.00	1.00	
					99.00	100.00	1.00	2.03	
	RCA-006	-60	300	154	Nothing greater than 1g/t gold				
	DDA-007	-60	290	125.8	2.00	65.00	63.00	1.06	
	RCA-007	-60	300	150	92.00	98.00	6.00	1.20	
					122.00	128.00	6.00	1.00	
	RCA-008	-70	120	106	64.00	68.00	4.00	1.22	
	RCA-009	-60	120	150	80.00	89.00	9.00	1.22	
					97.00	104.00	7.00	1.45	
	RCA-010	-70	120	100	23.00	100.00	77.00	2.30	
			Including		*54.00*	*70.00*	*16.00*	*3.63*	*29.2*
	RCA-011	-70	120	150	0.00	12.00	12.00	1.77	
					126.00	144.00	18.00	2.03	
	RCA-012	-80	120	150	58.00	61.00	3.00	2.68	
					92.00	114.00	22.00	1.00	
					126.00	128.00	2.00	1.44	

Cut-off 0.2g/t gold, maximum down-hole internal dilution 11m

All intersections are oxide gold, not true widths

Appendix 2 Table Y

Table Y Summary 2007 drill results Drazhnje

Location	Drill Hole	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intersection (m)	Zinc%	Lead%	Gold (g/t)	Silver (g/t)	Sulphide (S), Oxide (O)
Main Body Confirmatory	DDZ-003	-90	0	162.2	149.0	162.3	>13.2*	11.12%	6.39%	0.56	102.08	S
	DDZ-012	-90	0	223.0	146.0	181.0	35.0	9,51%	4.13%	0.62	72.08	S
	DDZ-013	-90	0	246.6	144.0	206.0	62.0	6.65%	1.94%	0.16	29.40	S
			Including		*154.0*	*175.0*	*21.0*	*15.54%*	*3.56%*	*0.19*	*50.12*	*S*
	DDZ-014	-75	30	246.0	141.0	177.6	36.6	6.68%	3.16%	0.11	38.16	S
	DDZ-015	-90	0	294.7	147.0	166.0	19	6.10%	1.92%	0.07	22.56	S
					185.0	189.0	4	2.19%	3.28%	0.03	49.78	S
	DDZ-016	-75	30	163.3	138.0	145.0	7	1.87%	0.61%	0.11	4.90	S
	DDZ-017	-90	0	218.5	139.0	150.0	11	3.40%	1.09%	0.11	12.47	S
	DDZ-018	-65	30	135.0	125.0	131.0	>6.0*	7.43%	1.74%	0.55	21.22	S
St George Upside	DDZ-004	-55	245	84.0	No Significant Base Metals							
	DDZ-005	-60	50	50.5	11.0	24.0	13	9.14%	4.29%	0.78	0.82	S
			Including		*12.0*	*17.0*	*5*	*20.22%*	*9.01%*	*0.85*	*0.70*	*S*
	DDZ-006	-60	360	90.0	15.0	31.0	16	10.45%	0.10%	0.08	0.06	O
	DDZ-007	-60	50	58.0	1.0	13.6	12.6	10.49%	0.79%	0.27	1.93	O
	DDZ-008	-90	0	30.7	0.0	5.0	5	7.54%	1.13%	0.26	3.00	O
	DDZ-009	-60	230	27.5	0.0	5.0	5	6.66%	0.55%	0.40	0.00	O
	DDZ-011	-50	230	93.0	6.0	20.0	14	4.21%	1.37%	0.46	0.15	O
St Barbara	DDZ-010	-50	50	90.0	75.0	80.0	5	3.82%	1.45%	0.44	8.04	S
Trpeza	DDZ-019	-50	225	41.5	0.0	14.0	14	1.11%	0.71%	1.23	10.99	O
	DDZ-020	-50	225	42.6	0.0	11.0	11	0.01%	0.96%	2.21	6.00	O

Holes DDZ-001 and DDZ-002 bogged and abandoned in overburden

Cut-off 2% Zinc, maximum internal dilution 1m

* Bogged and abandoned in sulphide

Appendix 3 Table Z

Table Z 2008 drill results from St Barbara Prospect Drazhnje

Drill Hole	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intersection (m)	Zinc%	Lead%	Gold (g/t)	Silver (g/t)	Sulphide (S) or Oxide (O)
DDZ-031	-70	10	128.0	13	24	11	18.10%	8.51%	0.71	25.30	S
DDZ-032	-90	360	50.5	16	17	1	1.21%	0.97%	0.5	8.60	S
DDZ-033	-45	245	63.0	40	56	16	12.10%	3.87%	0.75	10.80	S
DDZ-034	-70	245	97.0	77	95	18	10.20%	3.25%	0.5	4.90	S
DDZ-048	-60	245	90.0	23	36	13	20.99%	7.09%	0.53	25.33	S
DDZ-049	-70	245	183.0	No Significant Base Metals							
DDZ-050	-60	270	121.5	4	8	4	9.96%	NSˆ	NS	NS	O
DDZ-051*	-45	250	65.0	2	6	4	3.18%	2.52%	0.21	67.13	O
DDZ-052	-50	245	103.1	3	6	3	11.38%	NS	NS	NS	O
DDZ-053	-60	265	137.0	No Significant Base Metals							
DDZ-054	-45	260	96.8	55	64	9	5.81%	1.32%	0.50	6.50	S
DDZ-055	-70	235	139.0	88	92.3	4.3	2.10%	1.44%	1.20	4.55	S
DDZ-056	-55	300	138.6	0	13	13	NS	NS	1.12	NS	O
DDZ-057	Bogged and abandoned before objective										

Cut-off 2% Zinc, maximum internal dilution 1m

NSˆ Not Significant

* Bogged and abandoned before main objective