MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the consolidated interim financial statements of Lydian International Limited (“Lydian” or the “Company”) for the three months ended March 31, 2008. (These financial statements are unaudited). The Company’s financial statements are prepared in accordance with International Accounting Standard 34 on interim financial statements. The Company’s reporting currency is the British Pound. The date of this Management’s Discussion and Analysis is May 13, 2008.

DESCRIPTION OF BUSINESS

The Company is a diversified Jersey based British mineral exploration and development company operating in emerging exploration environments. The Company is currently focused on Eastern Europe, exploring in the Balkan and Caucasus regions, and is 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).

REVIEW OF ACTIVITIES.

The Company’s exploration activities and its overall corporate development is summarised below:

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.

Five scout diamond drill holes totalling 591m were drilled in 2007 and represent the very first subsurface test of the gold potential at Amulsar. The Company believes that the results from this programme are highly promising. The Company intends to carry out a 20,000m drill programme with a view to defining a reportable resource in 2008.

Drazhnje: Kosovo

Drazhnje is a zinc, lead, silver and gold 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.

Further surface geochemistry and a 2,500m drilling programme was completed at Drazhnje in 2007. The drilling programme confirmed the presence of the former Yugoslav resource and identified two extensions of base metal and gold mineralisation, which the Company is developing further. During 2007, the portal to underground exploration development was rebuilt in readiness for underground access and exploration during 2008.

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.

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. In 2008 cleaning and sampling of trenches was conducted in preparation for drilling. The Company believes that trench results were highly encouraging having identified up to 30m widths of greater than 20% zinc. Crepulje is currently being prepared for drilling later in 2008.

Rahovec: Kosovo

Lydian's Rahovec license is located in central Kosovo. Results from reconnaissance rock-chip and soil sampling conducted during 2007 have identified a gold anomalous zone of approximately 1km in strike length and 100m in width with a maximum soil geochemical result of 1.89ppm Au and rock-chip results of up 7.9g/t gold and 0.9% copper. Trenching has identified a central zone of breccia and replacement style mineralisation with the most encouraging trench result to-date being 64m @ 0.94g/t gold. The gold mineralisation is hosted within a wide zone of anomalous nickel and cobalt mineralisation. Rahovec has been drill tested in early 2008. Complete results were not available at the time of reporting.

Muratdag: Turkey

As part of the Newmont Joint Venture, Lydian acquired a 50% interest in the 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.

New Frontiers

As part of its policy to maintain a pipeline of quality projects during 2007, Lydian conducted research and field exploration studies elsewhere in the Balkans and Caucasus regions.

Corporate

- 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. The principal business of the Company was the potential identification and evaluation of acquisitions or businesses.

- 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.

- On December 27, 2007, the Company completed its qualifying transaction by acquiring approximately 98% of the issued and outstanding shares of Lydian Resource Company Limited ("Lydian Resource Company"). As at the date hereof, all of the remaining shareholders of Lydian Resource Company have accepted the Company's offer to sell their shares of Lydian Resource Company in exchange for shares of the Company. The Company is in the process of completing the acquisition of this minority interest on the same terms as the Company's original offer.

- As part of the qualifying transaction, the Company completed a private placement of 7,028,600 units for proceeds of CAD $8,785,750. Each unit was priced at $1.25 and consisted of one common share and a warrant that entitles the holder to purchase one half of a common share, exercisable at $1.55 per share for a period of 24 months.

- The shares of the Company started trading on the Toronto Stock Exchange ("TSX") on January 10, 2008.
- On August 3, 2007, Lydian Resource Company completed a private placement of 6,150,000 ordinary shares for proceeds of GBP 1,537,500. On September 30, 2007, Lydian Resource Company also completed a private placement of 1,149,999 ordinary shares for proceeds of GBP 287,499.

FINANCIAL RESULTS OF OPERATIONS

Selected Financial Information

	3 Months Ended March 31 , 2008	**3 Months Ended March 31, 2007**
Statement of Operations	£	£
Interest income	39,835	11,251
Costs	(531,271)	(328,253)
Loss for the 3 month period	(491,436)	(317,002)
Loss per share from continuing operations:		
Basic and (diluted)	0.01	0.01

	As at March 31, 2008	**As at December 31, 2007**
	£	£
Balance Sheet Data		
Current assets	5,421,605	6,455,357
Property, plant and equipment	131,663	134,013
Deferred Exploration Expenses	1,160,261	900,554
Total Assets	6,713,529	7,489,924
Current Liabilities	(87,799)	(412,527)
Shareholders' Funds	**6,625,730**	**7,077,397**

During the 3 months ended March 31, 2008, the Company had no revenues. Its only income was bank interest and contributions received from Newmont in connection with the Newmont Joint Venture. In this period, the Company recorded a loss of GBP 491,436 (1 pence per share) compared to GBP 317,002 (1 pence per share) in for the three months ended 31 March 2007. The expenditures incurred in the year were comprised primarily of remuneration for the employees, contractors and directors, costs relating to the Company's offices in Kosovo and Armenia and exploration site overheads. Deferred exploration expenditures incurred during this period were GBP 259,707 compared to deferred expenditures of GBP 125,281 in the corresponding prior period. These deferred exploration expenditures were related to exploration work on the Company's following exploration projects as follows:

Deferred exploration expenses by project are :	**Cumulative to March 31, 2008**	**Cumulative to December 31, 2007**
	£	£
Kosovo		
• Draznja	710,301	585,958
• Rahovec	41,456	15,325
• Crepulja	12,795	9,013
Armenia		
• Armulsar	395,709	290,258
Total	1,160,261	900,554

The deferred exploration expenditures set out above were primarily for geological consulting and services, report preparation, drilling, processing of sampling, project administration, travel, field work and equipment.

The Company's financial performance will be directly affected by the exploration activities to be conducted on its projects and the potential for development for commercial production of any discovered minerals. Should the results of such exploration activities warrant bringing any of these projects into commercial production, substantial funds will be required to do so. Until such time as commercial production is achieved (and there can be no assurance it will be), the Company will continue to incur administrative costs and exploration expenditures that are either deferred or expensed, depending upon the nature of those expenditures, resulting in continuing operating losses. In the future, should the development of the Company's mineral projects occur, the Company's financial performance will become more closely linked to the prices obtained for the minerals produced by the Company, if any. The exploration and development of the Company's mineral projects will require substantial additional financing. Failure to obtain sufficient financing will result in the delay or indefinite postponement of exploration, development or production on any or all of such projects, and may even cause a loss of project interest. There can be no assurance that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favourable to the Company.

Quarterly results

	As at March 31,2008	**As at December 31, 2007**	**As at September 30, 2007**	**As at June 30, 2007)**	**As at March 31, 2007**	**As at December 31, 2006**
	£	£	£	£	£	£
Balance Sheet Data						
Current assets	5,421,605	6,455,357	2,233,911	1,217,680	1,622,680	1,770,680
Property, plant and equipment.	131,663	134,013	117,664	45,642	16,978	15,573
Deferred Exploration Expenses	1,160,261	900,554	510,910	484,797	178,511	53,230
Total Assets	6,713,529	7,489,924	2,862,485	1,748,119	1,818,169	1,839,483
Current Liabilities	(87,799)	(412,527)	(103,731)	(137,249)	(38,500)	(30,737)
Shareholders' Funds	**6,713,529**	**7,077,397**	**2,758,754**	**1,610,870**	**1,779,669**	**1,839,483**

	Three months to March 31, 2008	**Three months to December 31, 2007**	**Three months to September 30, 2007**	**Three months to June 30, 2007**	**Three months to March 31 2007**	**Period from December 2005 to December 31, 2006**
	£	£	£	£	£	£
Loss for the period	(491,436)	(368,878)	(392,555)	(168,799)	(317,002)	(428,655)

The loss per share from continuing operations was one pence per share (basic and diluted) for the three months ended March 31, 2008 compared to one pence per share (basic and diluted) for the three months ended March 31, 2006.

OUTSTANDING SHARE DATA

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

	As at April 30, 2008	As at March 31, 2008 Number	As at December 31, 2007 Number
Ordinary shares	39,882,929	39,832,929	39,165,763
Rolling stock option plan	300,000	300,000	400,000
Other Warrants/Options	15,319,816	15,319,816	15,104,816

LIQUIDITY AND CAPITAL RESOURCES

Lydian had working capital of GBP 5,333,806 as at March 31, 2008, compared to GBP 6,042,830 on December 31, 2007. The Company had total assets of GBP 6,713,529 at March 31, 2008, compared to GBP 7,489,924 on December 31, 2007, which included deferred exploration expenditure amounting to GBP 1,160,261 (GBP 900,554 on December 31, 2007) respectively. The Company's principal source of liquidity as at March 31, 2008 was cash amounting to GBP 4,778,987, 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 had no capital commitments for capital expenditures as at March 31, 2008 and had operating lease commitments amounting GBP 19,306 in respect of office properties.

The Company's sole source of funds is equity finance. The Company is not planning to raise any equity finance in the immediate future and has sufficient funds to carry out its planned exploration activities until the end of the year.

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. Certain expenditure commitments have been given 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 the project pipeline.

FINANCIAL 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. 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).

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.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

To the best of management's knowledge, there are no transactions that are currently proposed that will affect the Company's financial performance.

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 Armulsar exploration project in Armenia. The Newmont Joint Venture agreement currently requires that costs incurred on the project are shared equally 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 129,313 during the three months ended March 31, 2008 for its share of the costs relating to a drilling contract. At March 31, 2008, the estimated amount due by Newmont in respect of the Joint Venture is GBP 257,500.

The remuneration of directors and key management during the three months ended March 31, 2008 and March 31, 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.

	Three months ended March 31, 2008	**Three months ended March 31, 2007**
	£	£
Aggregate emoluments	**54,750**	24,000
Share based payments	**-**	-

DIVIDEND POLICY

The Company has neither declared nor paid any dividends on its ordinary shares and intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends in the foreseeable future. The payment of dividends in the future will depend on the Company's earnings and financial condition and such other factors as the Company's board of directors may consider appropriate.

CRITICAL ACCOUNTING ESTIMATES

The accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Newmont Joint Venture is operated as a jointly controlled operation. In accordance with the terms of the Newmont Joint Venture agreement, costs are shared equally between the Company and Newmont. The financial statements include a receivable of GBP 257,500 due by Newmont based on an estimate of the final settlement required in respect of the period April 1, 2007 to March 31, 2008. The position is in the process of being determined in detail and agreed. The directors expect that the final outcome will not differ significantly from the estimated position.

The Company has adopted IFRS 6 to determine its accounting policy for exploration and evaluation costs. IFRS 6 does not follow the requirements of the IASB Framework. As a result, exploration expenditure has been capitalised earlier than would be allowed under the IASB Framework.

Exploration projects are only reviewed for impairment when there is an indication that impairment may have occurred.

The recoverability of deferred exploration and evaluation costs is dependent on a number of factors common to the natural resource sector. These include the extent to which the Company can establish economically recoverable reserves on its properties, the availability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof.

ACCOUNTING POLICIES

The accounting policies for the three months ended March 2008 are consistent with the period ended December 31, 2007.

RISKS AND UNCERTANITIES

The Company is in the mineral exploration and development business and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Some of the possible risks include the following:

- The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.

- The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital, in some cases from a joint venture partner or the offering by the Company of 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.

- The Company must comply with environmental regulations governing air and water quality and land disturbance.

- The Company's operations are subject to extensive government laws and regulations, concerning mine safety, subsoil and land use and environmental protection in Armenia and Kosovo. The Company incurs substantial capital and operating costs to comply with increasingly complex laws and regulations covering its operations. Regulation in Armenia and Kosovo governing discharge of materials into the environment is likely to evolve in a manner which will require stricter standards of compliance. Non-compliance with environmental regulations or the increasing cost of compliance with such regulations could have a material adverse effect on the Company's business, operating results and financial condition.

- 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 will not result in the Company having to pay significantly higher taxes, which could have a materially adverse effect on the Company's business.

- The operations of the Company will require various licences and permits from various 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.

- There is no certainty that the properties which the Company has deferred on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any of the forward looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

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 have been based on careful judgements 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.