LYDIAN INTERNATIONAL LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The following is Managementõs Discussion and Analysis (ñMD&Aò) of the consolidated financial condition and results of operations of Lydian International Limited (ñLydianò or the ñCompanyò) for the three and twelve month periods ended December 31, 2011. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2011, prepared in accordance with the International Financial Reporting Standards (ñIFRSò). The information provided herein supplements, but does not form part of, the consolidated financial statements. This discussion covers 2011 as well as the subsequent period up to the date of this MD&A, March 23, 2012. All monetary figures are expressed in British Pounds unless otherwise indicated.

CAUTIONARY 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 realisation 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. 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;*
- *the timing of the receipt of regulatory and governmental approvals for the Company's projects;*
- *the availability of financing for the Company's development of its properties on reasonable terms;*
- *the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;*
- *the ability to attract and retain skilled staff;*
- *exploration timetables;*
- *planned production timetables;*
- *market competition; and*
- *the accuracy of the Company's resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based.*

The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by securities regulatory requirements. 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 recognise 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.

BUSINESS OVERVIEW

The Company is a gold-focused mineral exploration and development company specialising in emerging and transitional environments. Currently the Company is focused on Eastern Europe, primarily in the Caucasus region, exploring and developing precious metal assets. The Companyôs main project is a gold exploration and development project (the ñAmulsar Projectò) located in Armenia. In addition, the Company holds a license covering an early-stage gold prospect (the ñZoti Projectò) in the Guria region of Georgia.

The Companyôs principal objective is to continue its exploration and development of the Amulsar Project. The Company will continue the ongoing exploration drilling and mine development program at the Amulsar Project and is conducting a bankable feasibility study, for which the financial numbers are expected to be completed in the second quarter of 2012. The Company will also conduct detailed engineering studies to finalise mine design and complete the permitting process at Amulsar. Developing the Amulsar Project into a profitable gold mining operation will depend upon the Companyôs ability to raise sufficient project financing, acquire all permits, complete construction and advance the Amulsar Project to production. The Company currently does not have any commercial operations or revenue. The Company expects that its current assets are sufficient to finance the Amulsar Project to and through the completion of the bankable feasibility study and the necessary detailed engineering stages, carry out the work recommended in the Technical Report (as defined below), continue exploration work on the Zoti Project in Georgia and pay all amounts that become due on or prior to December 31, 2012 to Newmont Overseas Exploration Limited (ñNewmontò) pursuant to the purchase agreement (the ñNewmont Purchase Agreementò) dated February 26, 2010 between the Company and Newmont.

FOURTH QUARTER AND RECENT HIGHLIGHTS

- The Company completed a bought deal equity financing, pursuant to which it issued 15,625,000 and 2,343,750 ordinary shares (the ñOrdinary Sharesò) of the Company on March 9, 2012 and March 15, 2012, respectively, at a purchase price of CAD$2.56 per Ordinary Share, for aggregate gross proceeds to the Company of CAD$46 million
- On March 21, 2012, the Company announced that the European Bank of Reconstruction and Development (the ñEBRDò) were to exercise their pre-emptive rights in full with respect to the bought deal above by purchasing an aggregate of 1,419,732 Ordinary Shares (the ñNew Sharesò) at a purchase price per Ordinary Share of CAD$2.56 for an aggregate purchase price of CAD$3,634,514.
- On March 13, 2012 the Company announced that it received its environmental approval for the processing of gold-silver ore using heap leach technology as part of the permitting process at its Amulsar Project in Armenia.
- On March 9, 2012, the Company filed a technical report (the ñTechnical Reportò) titled ñ2012 Mineral Resource Estimate Amulsar Gold Project NI 43-101 Technical Reportò prepared by Independent Mining Consultants, Inc., dated March 3, 2012, in respect of an updated resource estimate for its Amulsar Project announced by the Company on January 23, 2012 (see below).
- On March 5, 2012, the Company announced the appointment of Mr. Tim Richards as Senior Mine Manager to oversee the development of its Amulsar Project.
- On March 5, 2012, the Company announced the engagement of Endeavour Financial to provide financial advisory services with respect to financing the development of the Amulsar Project.
- On January 3, 2012, the Company announced that it notified Newmont of its deferral of payment of US$5 million owing to Newmont until no later than December 31, 2012, which was then made in full together with interest (US$100,000) owing thereon on March 13, 2012.
- On December 15, 2011, the Company announced that International Finance Corporation (ñIFCò) purchased an aggregate of 4,000,000 Ordinary Shares from the Company at a price of £0.3125 (approximately CAD$0.50) per share for gross proceeds of £1,250,000 (approximately CAD$2,006,600), pursuant to the terms of an option granted to IFC under the investor rights and shareholdersô agreement between the Company and IFC.
- On November 29, November 2, October 18, October 4 and September 19, 2011, the Company released drill results from its 2011 drilling program, consisting of approximately 35,000 meters of combined diamond and reverse circulation drilling (for a total of approximately 90,000 meters). Drilling results to-date indicate potential resource extensions for up to 1km to the northeast of Tigranes, 1km to the southwest at Orontes, to the southeast at Arshak and at Erato to the north-northwest of Tigranes/Artavasdes. Deeper drill holes have also identified possible resource extensions at depth and below the current proposed pit-outline.
- On November 15, 2011, the Company reported further metallurgical results from the Amulsar Project, indicating average recoveries of 94% for master composite samples obtained after 47 days leaching.
- On October 11, 2011, the Company announced that its 100% owned subsidiary, Georgian Resource Company LLC, acquired a 40 year combined exploration-mining license covering an early-stage gold prospect known as ñZotiò in the Guri region of the Ozurgeti province in Georgia.

- On October 3, 2011, the Company announced the change of land status from agricultural to industrial at its Amulsar Project.
- The Company also continued to make progress toward meeting its goal of commencing production at its Amulsar Project in 2014, in respect of which it expects to be able to produce a bankable feasibility by around the end of the second quarter 2012.

Recent Developments

Update of Mineral Resource

On March 9, 2012, the Company filed the Technical Report in respect of an updated mineral resource estimate for its Amulsar Project that was announced by the Company on January 23, 2012. The updated resource estimate comprises 68.2 Mt at 1.0 g/t Au (2.1 million ounces) of indicated category resources and 36.1 Mt at 0.9 g/t Au (1.1 million ounces) of inferred category resources (see Table 1), based on a 0.40 g/t gold cutoff grade.

The resource estimate in the Technical Report and summarised below updates the resource estimate contained in the preliminary economic assessment (the ñPEAò) report on the Amulsar property titled ñDevelopment of Amulsar Heap Leach Facility, Preliminary Economic Assessmentò dated August 12, 2011 and prepared by K D Engineering Company, Inc. (KDE). The resource estimate contained in the PEA does not include the results of any drilling since December 31, 2010.

The updated resource in the Technical Report was developed from approximately 35,000 meters of additional combined diamond and reverse circulation exploration drilling (for a total of approximately 90,000 meters) carried out in 2011. Gold at the Amulsar Project is hosted primarily in sub-vertical faults, associated breccia veins and sheeted fractures with faults and breccia veins generally trending northwest-southeastwards and sheeted fracture zones trending northeast-southwestwards. Sub-horizontal possibly strata-bound mineralisation also controls some of the gold at the Amulsar Project.

The updated resource estimate comprised a total of 1.7 million ounces gold in the indicated category and 0.6 million ounces gold in inferred category (using a 0.4g/t cut-off) from the contiguous Tigranes and Artavasdes areas and 0.5 million ounces gold in the indicated category and 0.4 million ounces inferred category from the Erato prospect, which is located approximately 900 meters to the north-northwest of Tigranes & Artavasdes (see Table 2).

Table 1 Gold-Silver Mineral Resource

Gold Cutoff Grade, g/t	Indicated Mineral Resource					Inferred Mineral Resource				
	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver
0.75	28,107	1.61	4.90	1,453,109	4,428,007	15,235	1.45	4.55	709,265	2,228,700
0.50	51,153	1.16	4.17	1,902,840	6,858,117	27,189	1.08	4.37	943,219	3,820,079
0.40	**68,207**	**0.98**	**3.84**	**2,146,888**	**8,420,888**	**36,056**	**0.92**	**4.00**	**1,069,983**	**4,636,980**
0.30	95,798	0.80	3.47	2,454,779	10,687,685	48,907	0.77	3.63	1,212,336	5,707,887
0.20	140,336	0.62	3.13	2,806,449	14,122,486	75,461	0.59	3.10	1,421,733	7,521,111

Table 2 Amulsar Gold-Silver Mineral Resource by Project Area

TIGRANES & ARTAVASDES AREAS										
Gold Cutoff Grade, g/t	Indicated Mineral Resource					Inferred Mineral Resource				
	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver

0.75	21,409	1.61	5.29	1,108,893	3,641,244	8,204	1.31	5.44	344,482	1,434,902
0.50	39,749	1.15	4.48	1,465,843	5,725,349	16,808	0.95	4.85	512,838	2,620,930
0.40	**53,337**	**0.97**	**4.12**	**1,661,690**	**7,065,185**	**23,142**	**0.81**	**4.36**	**603,420**	**3,244,032**
0.30	73,478	0.80	3.76	1,885,202	8,882,657	32,771	0.67	3.92	710,145	4,130,223
0.20	105,303	0.63	3.44	2,136,327	11,646,540	48,790	0.53	3.55	836,095	5,568,739

ERATO PROSPECT										
Gold Cutoff Grade, g/t	Indicated Mineral Resource					Inferred Mineral Resource				
	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver	Tonnes (x 1000)	Gold, g/t	Silver, g/t	Ounces Gold	Ounces Silver
0.75	6,698	1.60	3.64	344,558	783,870	7,030	1.62	3.51	365,027	793,341
0.50	11,403	1.19	3.08	436,645	1,129,191	10,380	1.29	3.59	430,178	1,198,090
0.40	**14,871**	**1.02**	**2.84**	**486,249**	**1,357,864**	**12,914**	**1.13**	**3.34**	**467,101**	**1,386,772**
0.30	22,320	0.79	2.52	568,352	1,808,391	16,136	0.97	3.06	502,710	1,587,505
0.20	35,032	0.60	2.18	670,162	2,455,382	26,671	0.68	2.28	584,819	1,955,113

This mineral resource estimate has been confined within a theoretical floating cone open pit geometry which ensures an extra level of confidence by precluding ounces that are unlikely to be mined. The floating cone parameters used a US$1,300/oz gold price and current estimates of project operating costs and gold recovery. At the 0.40 g/t gold cutoff grade, 98% of the unconfined global gold ounce estimate lies within this theoretical open pit geometry, which the Company believes indicates the robustness of the mineral resource.

Exploration Update and Activities

Amulsar Project

The Company's Amulsar Project area covers a region of high-sulphidation, epithermal-type gold mineralisation located in central Armenia and was discovered by Lydian in 2006. The exploration licences for the Amulsar Project are held 100% by Geoteam CJSC, an Armenian registered closed joint stock company. The outstanding shares of Geoteam are held 95% by Lydian Resources Armenia Ltd. (a 100% owned indirect subsidiary of the Company) and 5% by Lydian's local director. In December 2010, the Company acquired an option to purchase this minority interest. The Company has made all of the payments of cash and Ordinary Shares that were required to be made by it prior to the date of this MD&A in order to maintain the option.

On August 22, 2011, the Company filed a Preliminary Economic Assessment (PEA) of the Amulsar Project on SEDAR. The PEA is based on the estimated resources at only the Tigranes and Artavasdes areas (i.e. not including the Erato area) and shows a pre-tax Base Case Net Present Value using a 5% discount rate amounting to US$515 million, with an IRR of 45%. The PEA was based on a US$1000 optimised pit-shell, 1.64m mineable ounces, US$1,200 gold price, 85% recoveries and had a +30% contingency capital tolerance.

In 2011, the Company completed approximately 35,000 meters of combined diamond and reverse circulation exploration drilling. Results indicate that the current resource shell may extend further in all directions. This further drilling resulted in the updated resource estimate summarised above. In addition, the Company identified further gold mineralisation one kilometre away towards the southwest at the Orontes prospect area. On November 15, 2011, the Company also reported metallurgical results from Amulsar showing average recoveries of 94% for Master Composite Samples obtained after only 47 days leaching.

The Company contracted KD-Engineering (USA) to conduct a bankable feasibility study (BFS) at the Amulsar Project. The study team comprises KD-Engineering (process design), Golder Associates (USA; leach pads and geotechnical work), Independent Mining Consultants (USA; resources and pits) and Wardell Armstrong International (UK; environment and social). The financial numbers for the BFS are expected to be completed by around the end of Q2 2012.

On March 12, 2012 the Company announced that as part of the permitting process for the development of its Amulsar project, it has received approval for the Companyǿs planned processing of gold-silver using heap leach technology. The Company now requires environmental impact assessment approval for its expanded open-pit and waste dump facilities and land status change for the surface rights underlying the project infrastructure. Once those approvals have been secured, detailed engineering plans will need to be submitted as they are complete for construction approvals.

Zoti Project

On October 11, 2011, the Company announced that its 100% own subsidiary Georgian Resource Company LLC acquired a 40 year combined exploration-mining license over a new gold project in Georgia known as the Zoti Project. The Company currently plans to carry out approximately 1,500 meters of exploratory drilling at the Zoti Project in 2012.

FINANCIAL RESULTS OF OPERATIONS
SELECTED FINANCIAL INFORMATION

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). 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 twelve month periods ended December 31, 2011 and comparative financial information for the corresponding periods in the Companyǿs previous financial year.

	Three months ended December 31,		Twelve months ended December 31,	
	2011 £	2010 £	2011 £	2010 £
Interest income	14,226	14,566	44,297	25,073
Total expenses	1,615,208	3,652,009	5,999,185	5,912,122
Net income (loss)	(1,600,982)	(3,637,443)	(5,954,888)	(5,887,049)
Loss per share (basic and diluted)	0.02	0.04	0.06	0.08

During the twelve month periods ended December 31, 2011 and 2010 the Company had no revenues. Its only income was bank interest. In the twelve month period ended December 31, 2011, the Company recorded a loss of £5,954,888 (6 pence per share) compared to £5,887,049 (8 pence per share) during the corresponding period in 2010. There were several increases in the Companyǿs cost structure in 2011 compared to 2010, including an increase of: £1,067,762 of funds allocated to employee benefit reserves in respect of option vesting; £416,815 of administrative expenses, and £193,712 of effective interest charge relating to the unwinding of the discount attributable to the payment to Newmont. Costs relating to the disposal of property and plant incurred in year ended December 31, 2011 totaled to £99,315 compared to nil in 2010, exploration and evaluation assets write off pertaining to the Companyós Nor Arvik project and expenditures incurred in 2011 for its former Drazhnje lead-zinc and silver project (the ñDrazhnje Projectò) in Kosovo totaled £165,215 compared to £2,113,572 impartment 2010.

There were no extraordinary transactions or significant end of reporting period adjustments during the twelve month period ended December 31, 2011.

During the twelve month period ended December 31, 2011, there were some fluctuations between the British Pound, Canadian Dollar, Euro, Armenian Dram, Georgian Lari and the U.S. Dollar. This resulted in changes to the value of the Companyós exploration assets as reported in British Pounds. Details of these changes are set out below. The Company attempts to protect itself from variations in exchange rates by holding its cash in currencies roughly in proportion to the Companyós anticipated expenditures in those currencies.

Income Tax Expense

There was no tax payable by the Company in the twelve month period ended December 31, 2011 and the same period in 2010. As at December 31, 2011, the Company had taxation losses of £5,986,965 (December 31, 2010- £4,956,551) 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 Companyós cash flow for the three and twelve month periods ended December 31, 2011 and comparative financial information for the corresponding interim periods in the Companyós previous financial year.

	Three months ended December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
	£	£	£	£
Net cash provided (used) by operating activities	(1,189,170)	(122,589)	(4,671,986)	(2,606,805)
Net cash used by investing activities	(2,419,468)	(1,129,301)	(7,645,787)	(6,466,916)
Net cash provided (used) by financing activities	1,482,534	13,187,581	3,539,646	24,344,997

Summary of Balance sheet data

The following table summarises the Companyós financial position as at the dates indicated:

	As at December 31, 2011	As at December 31, 2010
	£	£
Current assets	8,712,341	17,237,596
Property and equipment	476,012	402,587
Intangible assets	95,522	59,350
Exploration and evaluation assets	23,739,005	16,497,640
Other non-current assets	1,371,935	686,274
Other long-term financial assets	126,600	-
Total assets	34,521,415	34,883,447

Current liabilities	7,002,493	3,313,826
Non-current liabilities	28,800	2,648,561
Equity	27,490,122	28,921,060
Total liabilities and equity	34,521,415	34,883,447

During the fourth quarter of 2011, the cash and cash equivalents of the Company decreased by £2,038,958 as a result of payments of exploration drilling services, payments to vendors for Amulsar Project development costs, payments to vendors for supply of services and goods, and payments to employees. As at December 31, 2011, the Companyǿs cash and cash equivalents was £8,301,907 compared to £17,058,692 on December 31, 2010.

The Companyǿs net amount of exploration and evaluation assets (EEA) increased by £7,241,365 in the twelve month period ended December 31, 2011, which include a write off of its Nor Arevik project and 2011 expenditures of the Drazhnje Project totaling £165,215 and exchange rate differences that resulted in a decrease of EEA of £241,230. The increase of EEA is mainly related to the cost of exploration drilling and development of the Amulsar Project, including payments of concession fees and duties, the cost of samples, laboratory assays and environmental studies and other costs and cost associated with the acquisition of exploration-mining licenses in Georgia.

In the twelve month period ended December 31, 2011, investment in property, plant and equipment totaled £348,417, which was mainly aimed to support the exploration and development of the Amulsar Project. Within the same period, a total of £99,315 relates to disposal of fixed and intangible assets. Other current assets increased by £231,530 during this period, mainly as result of prepayments to suppliers and deposits for the Zoti Project.

Exploration and evaluation assets

Exploration and evaluation costs are costs incurred directly in exploration and evaluation as well as the cost of mineral licenses as per IFRS 6.

Exploration and evaluation costs incurred during the three and twelve month periods ended December 31, 2011 were £2,526,100 and £7,647,810, respectively, compared to £621,910 and £14,046,352 in the corresponding periods in 2010 (of which the purchase of Newmontǿs interest in the former joint venture between the Company and Newmont comprised £11,015,916). These exploration and evaluation costs were related to exploration work on the Companyǿs exploration projects as follows:

Project	Cumulative as at December 31, 2011	Cumulative as at December 31, 2010
Armenia		
• Amulsar	23,535,396	16,451,783
• Nor Arevik	-	45,857
Georgia		
• Zoti	203,609	-
Kosovo		
• Drazhnje	-	-
Total	23,739,005	16,497,640

The increase in exploration and evaluation assets for the Amulsar Project in the twelve month period ended December 31, 2011 from the same period in 2010 mainly relates to the cost of exploration drilling, development of the project, payments of concession fees and other duties, the cost of samples laboratory assays, payment for the extension of the exploration license area and the cost of environmental studies related to the project.

In 2011, the Company relinquished one of its early-stage Nor Arevik exploration licenses located in southern Armenia. The decision was made after the Company received and analysed the results of laboratory assays from exploration drilling in 2011. Capitalised costs pertaining to that project in amount of £140,859 were charged as of December 31, 2011.

The Company incurred £194,170 of EEA in 2011 with respect to the Zoti Project, which represents the cost of the license and exploration work.

Due to uncertainties regarding the Drazhnje Project, the exploration and evaluation assets attributable to Drazhnje were impaired as of December 31, 2010. The Company recognised an impairment loss of £2,113,572 for the year ended December 31, 2010 as a loss from EEA write off. On July 29, 2011, the Company transferred its licenses and certain other assets relating to the Drazhnje Project to Kosovo Metals Group JSC (ñKMGò) in accordance with the terms of a binding Heads of Agreement dated March 31, 2011, between the Company and KMG.

The Company did not reverse the impairment losses attributable to the Drazhnje Project in 2011 due to the uncertainty of future economic benefits of the Drazhnje Project. The Company also determined that Kosovo Resource Company LLC (ñKRCò), as an operating segment, was impaired as of December 31, 2011. The Company is in the process of completing its discontinuation of its operations in Kosovo.

In Armenia, the Companyôs exploration activities are financed mainly in US dollars, which are converted into Armenian Drams by the Companyôs Armenian subsidiary and then into British Pounds for the group accounts. The cumulative totals are therefore affected by currency fluctuations between British Pounds, US Dollars and Armenian Drams. There has been significant devaluation of the Armenian Dram in 2011 following strengthening in 2010, so the cumulative expenditure in Armenia shown above can differ from the actual expenditure made in U.S. Dollars.

On July 29, 2011, the Company completed the transfer of its licenses and certain other assets in connection with its former Drazhnje Project to KMG. The Company is in the process of winding up KRC through a membersô voluntary liquidation process. When the liquidation process is completed, the Company will have no operations in Kosovo.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of results from the Companyôs eight most recently completed quarters:

	Q4 2011	Q3 2011	Q2 2011	Q1 2011
	£	£	£	£
Net sales or total revenues	-	-	-	-
Net income (loss)	(1,600,982)	(1,402,189)	(1,598,306)	(1,353,411)
Loss per share (basic and diluted)	0.02	0.01	0.02	0.01

	Q4 2010	Q3 2010	Q2 2010	Q1 2010
	£	£	£	£
Net sales or total revenues	-	-	-	-
Net income (loss)	(3,637,443)	(940,826)	(840,892)	(467,888)
Loss per share (basic and diluted)	0.04	0.01	0.01	0.01

OUTSTANDING SHARE DATA

A summary of outstanding shares options and warrants is set out below.

	As at March 23, 2012	As at December 31, 2011	As at December 31, 2010
	Number	Number	Number
Ordinary Shares	123,464,168	104,075,686	93,659,798
Stock option plan	4,952,000	4,987,000	3,512,500
Other Options	-	-	100,000
Warrants	3,311,758	3,311,758	11,987,146

The Company has one class of issued equity shares, being Ordinary Shares.

MANAGEMENT AND STAFFING

During the twelve month period ended December 31, 2011, there were no significant changes to the key management and staffing of the Company other than those mentioned below. On March 5, 2012, the Company announced the appointment of Mr. Tim Richards as Senior Mine Manager to oversee the development of its Amulsar Project. Mr. Richards is an Australian Mining Engineer with 12 years open-pit mine development and production experience across Australia, Africa and Europe.

In January 2011, the Company established an advisory board to provide technical expertise and advice on developing the Amulsar Project through the feasibility stage to production. The advisory board was initially comprised of Mr. Nerses Karamanukyan, Mr. Patrick Gorman, and Ms. Liz Wall. On March 15, 2011, Mr. Karamanukyan was appointed as General Manager Caucasus of the Company.

On July 24, 2011, the Company hired a new Operations Manager and on July 27, 2011, the Companyǿs Project Manager resigned.

LIQUIDITY AND CAPITAL RESOURCES

Lydian had working capital of £1,709,848 as at December 31, 2011 compared to £13,923,770 on December 31, 2010. The Company had total assets of £34,521,415 at December 31, 2011 compared to £34,883,447 on December 31, 2010, which include deferred exploration expenditures of £23,739,005 (£16,497,640 on December 31, 2010).

The Companyǿs principal source of liquidity as at December 31, 2011 was cash and cash equivalents of £8,301,907 compared to £17,058,692 on December 31, 2010. This decrease in the cash and cash equivalents balance was primarily the result of £4,671,986 million cash used in operating activities and £7,645,787 of capital expenditures on property, equipment and intangible assets, exploration costs, partially offset by net proceeds of £3,539,646 from the issuance of shares from warrants and stock options exercised during the year. Cash surplus to the Companyǿs requirements was invested in money market deposits.

Following the year ended December 31, 2011, the Company completed a CAD$46 million equity financing and received net proceeds of CAD$43,240,000 after deducting the underwritersô fee of CAD$2,760,000. The Company used US$5,100,000 of the net proceeds of the offering to pay all amounts that were due to Newmont as of March 13, 2012, and intends to use the remainder of the net proceeds to progress the Amulsar Project to and through the completion of a bankable feasibility study and the necessary detailed engineering stages, including carrying out the work recommended in the Technical Report (approximately £6,800,000) and completing additional engineering studies (approximately £3,800,000); for continued exploration work on the Zoti Project (approximately £633,000); to pay

US$5 million to Newmont on or prior to December 31, 2012 in accordance with the Newmont Purchase Agreement; and for general working capital purposes and expenditures in the normal course of business (approximately £5,900,000). The European Bank of Reconstruction and Development are to exercise their pre-emptive rights in full with respect to the bought deal above by purchasing an aggregate of 1,419,732 Ordinary Shares (the ñNew Sharesò) at a purchase price per Ordinary Share of CAD$2.56 for an aggregate purchase price of CAD$3,634,514.

It is managementôs opinion, based on the Companyôs current liquidity position and estimates of project expenses, that the Companyôs liquid assets will be sufficient to discharge liabilities and fund the above-noted expenditures in connection with the Amulsar Project and the Zoti Project. The future exploration and development of the Amulsar Project and the Zoti Project will require the Company to raise additional capital through a combination of equity and debt financings. The Company is conducting a bankable feasibility study, for which the financial numbers are expected to be completed in the second quarter of 2012, and intends to conduct engineering studies to evaluate potential development scenarios for the Amulsar Project, including its future capital requirements.

The Companyôs liquidity is affected by a number of key factors and risks. Reference is made to the ñRisks and Uncertaintiesò section of the MD&A for a discussion of these factors and their impact on the Companyôs liquidity.

The Company has made certain expenditure commitments to the licensing authorities for the Companyôs projects. Should these expenditure targets not be met, the applicable licenses will not automatically be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor in whether to renew such licenses.

CONTRACTUAL OBLIGATIONS

The Company has contractual obligations as follows:

	Total £	Up to 1 year £	1-5 years £	More than 5 years £
Operating lease obligations	2,230,115	146,306	497,820	1,585,989
Purchase obligations	-	-	-	-
Total contractual obligations	2,230,115	146,306	497,820	1,585,989

TAXES PAID IN ARMENIA AND KOSOVO

LYDIAN INTERNATIONAL LIMITED IN ARMENIA AND KOSOVO
Summary of payments to the Armenian and Kosovo State Budgets

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 company payments to agencies and representatives of those governments as a first step towards a more accountable system for the management of natural resources.

AMOUNTS PAID IN ARMENIAN DRAMS TO ARMENIAN GOVERNMENT			AMOUNTS PAID IN EUROs TO KOSOVO GOVERNMENT	
Item	12 months to December 31, 2011	12 months to December 31, 2010	12 months to December 31, 2011	12 months to December 31, 2010
Fee for licenses area extension	8,700,000	-	-	-
New license acquisition	-	14,000,000	-	-
State duty on mining license	11,200,000	10,000,000	-	-
Concession fee	20,097,500	11,387,500	8,227	6,627
Social Insurance Funds employer	39,988,100	25,193,100	5,286	7,945
Social Insurance Funds individual	10,962,000	7,927,000	5,286	7,945
Customs duty	11,431,179	1,436,022	-	-
Property tax	419,500	203,750	-	-
Income tax	108,320,000	65,523,100	4,188	13,165
Non resident withholding tax	14,000,000	16,500,000	-	-
VAT	40,956,121	8,492,726	-	-
Nature protection fee	509,235	123,400	-	-
Penalties and fines	-	4,012,200	-	-
Total	266,583,635	164,798,798	22,987	35,682
Equivalent GBP	445,770	285,801	20,029	30,623

FINANCIAL AND OTHER INSTRUMENTS

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

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF BALANCE SHEET ARRANGEMENTS

Significant contracts existing as of December 31, 2011 are described below.

On April 23, 2010, the Company purchased from Newmont all of Newmontôs interest in the former joint venture between the Company and Newmont known as the Caucasus Venture, including all of Newmontôs interest in the Amulsar gold property in Armenia. The consideration was a mixture of committed and contingent payments. The committed payments included the issuance by Lydian of three million Ordinary Shares to Newmont on the closing of the transaction and three payments of US$5 million; the first of which was paid in 2010 and the second was due on or before December 31, 2011 and the third on or before the earlier of December 31, 2012 and the date that is 90 days after a bankable feasibility on

any portion of the Amulsar property is complete and the Company has received all the necessary material permits to move into production. The Company made the
US$5 million payment that was due on December 31, 2011 on March 13, 2012, together with interest owing thereon, calculated at the rate of 10% per annum commencing on December 31, 2011.

In addition, the Company agreed to pay Newmont, following the start of commercial production at the Amulsar Project, a 3% Net Smelter Royalty (NSR). However, at any time prior to the date that is 20 days following commencement of commercial production, Lydian may at its option elect to buy out the 3% NSR and instead pay to Newmont the aggregate sum of US$20 million, without interest, in 20 equal quarterly installments of US$1 million commencing on the first day of the third calendar month following the start of commercial production. Furthermore, the Company 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 payment of approximately US$15,600,000.

These potential post production payment(s) do not constitute an ñobligation or a constructive obligationò, as the triggering event of commercial production has not yet occurred. Therefore, these potential payments are not shown on the balance sheet.

On December 9, 2010, the Company entered into an option agreement (the ñGeoteam Option Agreementò) to purchase the remaining 5% non-controlling interest (the ñnon-controlling interestò) of the Companyøs 95% indirectly owned subsidiary. The aggregate purchase price payable by the Company in connection with any exercise of the Call Option or the Put Option will be CAD$500,000 in cash and 2,000,000 Ordinary Shares (the ñPayment Sharesò) in the capital of the Company. On January 18, 2011, June 27, 2011 and December 20, 2011, the Company issued 500,000, 250,000 and 250,000 Payment Shares, respectively, pursuant to the Geoteam Option Agreement. A further four equal installments of 250,000 Ordinary Shares are issuable bi-annually in 2012 and 2013.

The Company does not have any other off-balance sheet type arrangements.

RISKS AND UNCERTAINTIES

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

Mineral Resources

The Companyøs mineral resources are estimates, and no assurance can be given that the estimated resources are accurate or that the indicated level of gold will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralisation or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, if at all, and during that time the economic feasibility of exploiting a discovery may change. Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. It should not be assumed that all or any part of the Companyøs mineral resources constitutes or will be converted into reserves.

Metal Prices

Even if the Companyφs exploration program is successful on its mineral projects, there are many factors beyond the control of the Company that may affect the marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Companyφs control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Price Volatility of Other Commodities

The Companyφs profitability is also affected by the market prices of commodities, which are consumed or otherwise used in connection with the operations, such as diesel fuel, natural gas, electricity and cement. Prices of such commodities are also subject to volatile price movements over short periods of time and are affected by factors that are beyond the Companyφs control.

Foreign Operations

The Companyφs significant exploration and development project is located in Armenia. Such a project could be adversely affected by exchange controls, currency fluctuations, taxation and laws or policies of Armenia affecting foreign trade, investment or taxation.

Changes in mining or investment policies or shifts in political attitude in Armenia may adversely affect the Companyφs business. Operations may be affected by governmental regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The factors cannot be accurately predicted.

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 mainly in six currencies ï the Euro, the British Pound, the U.S. Dollar, the Canadian Dollar, the Armenian Dram and the Georgian Lari. The Companyφs 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. We do not anticipate a loss for non-performance by any counterparty with whom we have a commercial relationship.

Taxation Risk

The Armenia tax system 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 Government of Armenia will not result in the Company having to pay significantly higher taxes, which could have a materially adverse effect on the Companyφs business.

Environmental Risks and Hazards

All phases of the Companyos 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 Companyos 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 mineralisation 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 Companyos operations are carried out in Eurasia and, as such, the Companyos 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 nationalisation; 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 Eurasia may adversely affect the Companyos 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 Companyφs 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 Companyφs 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 Companyφs 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 Companyφs 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.

Difficulty in Obtaining Future Financing

The further development and exploration of mineral properties in which the Company holds an interest or which the Company acquires may depend upon the Companyφs ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile precious metals markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms or at all. Failure to obtain additional financings on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Companyφs future cash flows, earnings, results of operations, and financial condition and could result in a default under its agreement with Newmont pursuant to which the Companyφs subsidiary acquired a 100% interest in the Venture.

RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The sole operating director of Geoteam CJSC and Kavkaz Zoloto CJSC, Hayk Aloyan, holds 5% of the shares in Geoteam and Kavkaz Zoloto. On January 18, 2011, on June 27, 2011 and on December 31, 2011 the Company issued accordingly 500,000, 250,000 and 250,000 Ordinary Shares to Hayk Aloyan pursuant to the Geoteam Option Agreement.

The directors and key management are the directors of Lydian International Limited. The remuneration of directors and key management was as follows:

	Twelve months ended December 31, 2011	Twelve months ended December 31,2010
	£	£
Aggregate emoluments	339,747	331,287
Fair value of granted share options vest	926,357	285,048

The following table sets out the number of stock options awarded to directors of the Company under the Companyôs stock option plan during the three and twelve month periods ended December 31, 2011.

Date of grant	Number of options	Exercise price	Expiry
May 2, 2011	1,500,000	CAD$2.52(1.59 pound)	May 2, 2016
April 23, 2010	1,550,000	CAD$1.03 (67 pence)	October 23, 2012

There were no other share based payments during reportable periods.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Critical judgments in applying the Companyôs accounting policies

In the application of the Companyôs accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The significant critical judgment that the directors have made in the process of applying the entityôs accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements is the policy on exploration and evaluation costs.

In particular, management is required to assess exploration and evaluation assets for impairment with reference to the indicators provided in IFRS 6. Note 12 to the Companyôs Consolidated Financial Statements as of December 31, 2011 discloses the carrying values of such assets. As part of this assessment, management considered whether indicators of impairment exist at December 31, 2011.

The recoverability of 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. The Company will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific 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 mineralisation.

Key sources of estimation uncertainty

The 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.

Changes in accounting policies

During three and twelve month periods ended December 31, 2011 there were no changes in the Companyϛs accounting policies. In 2010 the Company adopted IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) that resulted in how the Company accounts for the non-controlling interest.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. Management is responsible for establishing and maintaining adequate internal control over financial reporting (ñICFRò). ICFR is a process designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer, and affected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company used the Internal Control ï Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) for the design of the Companyøs ICFR. All internal control systems have inherent limitations and therefore our ICFR can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

The Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the Companyøs disclosure controls and procedures and ICFR as of the date of this MD&A, that disclosure controls and procedures and ICFR are not effective due to the material weakness in ICFR as described below. The material weakness identified did not result in any adjustments to the Companyøs financial statements for the three months and year ended December 31, 2011 or any prior period.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The Company continues to review and document its disclosure controls and procedures, including internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with its business.

In order to ensure that its disclosure is reported in accordance with applicable requirements, the Company has implemented an internal procedure that requires all of its press releases to be reviewed by counsel. There have been no other significant changes in the Companyøs ICFR that occurred during the year ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Companyøs ICFR.

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 Companyøs assets are safeguarded and to facilitate the preparation of relevant and timely information.

INFORMATION ON INCURRED EXPENSES

Material costs incurred in the twelve month periods ended December 31, 2011 and 2010 were as follows:

Cost type	Twelve months to December 31,	
	2011	2010

	£	£
[(1)]Exploration and evaluation deferred expenditures	7,647,810	14,046,352
[(2)]Employees benefit and expenses	3,007,019	1,708,707
Administrative and other expenses	983,015	566,200
Services and consumables used	683,957	649,943
Audit and consulting expenses	329,320	367,966
Interest expenses	547,743	354,031
EEA write off	165,215	2,113,572
Depreciation and amortisation	102,172	126,034
Other costs	180,744	25,669
	13,647,620	19,958,474

[(1)]These expenditures are capitalised as exploration and evaluation assets.
[(2)]In 2010, the allocation to employee benefit reserves fund (relating to vesting options) totaled to £556,895 while the corresponding number in the same period in 2011 was £1,624,657 so the net amount of increase is £1,067,762. The balance in the increase over this period relates to an increase in the number of employees and some increases in salaries.