LYDIAN INTERNATIONAL LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2018

November 14, 2018

Contents

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A of the consolidated financial condition and results of operations of Lydian International Limited ("Lydian" or the "Company") was prepared as of November 14, 2018. It is intended to supplement and complement the Company's unaudited condensed consolidated financial statements and related notes as of and for the three and nine-month periods ended September 30, 2018. Financial information was prepared in accordance with IFRS as issued by the IASB. These unaudited condensed consolidated financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2017. All monetary figures are expressed in thousands of US Dollars, unless otherwise indicated. Refer to the Glossary of Defined Terms for definitions of capitalized terms and acronyms used in this MD&A.

Lydian's business is subject to numerous risks and uncertainties that should be considered when reading this MD&A and other disclosures of the Company.

Forward-looking statements are included in the MD&A. In addition, measured, indicated and inferred mineral resources are based on terms recognized by Canadian regulations. Therefore, readers are encouraged to read the Risk Factors and Cautionary Statements section of this MD&A.

Additional information about Lydian is included in the AIF available at www.lydianinternational.co.uk and the SEDAR website at www.sedar.com.

THIRD QUARTER 2018 HIGHLIGHTS AND RECENT DEVELOPMENTS

Since late June 2018, illegal blockades have been in place at Amulsar that continue to prevent the Company and its contractors from entering the Amulsar site and resuming construction work. While delivery of certain supplies, spares, and equipment continued during Q3 2018, no physical construction occurred. Lydian is engaging and will continue to engage with local and national government officials to seek enforcement of the law in order to have the illegal blockades removed.

The illegal blockades have substantially restricted access to capital and caused conditions to occur that are deemed events of default by the Company's senior lenders, stream financing providers, and equipment financiers. As described below, the Company has entered into a forbearance agreement through December 31, 2018 with its senior lenders, stream financing providers, and equipment financiers (the "Forbearance Agreement"). During this period, Lydian will continue to engage in discussions with its lenders to address the issues resulting from the illegal blockades while at the same time evaluating a range of financing and strategic alternatives.

Continuation as a going concern through December 31, 2018 is dependent upon a continuation of funding under the Forbearance Agreement. Thereafter, the Company will be dependent upon its ability to successfully fund its cash obligations from new or existing external sources until sufficient positive cash flow from operations can be realized, or a financing or strategic alternative can be arranged. Currently, and at least until the illegal blockades are removed, potential external sources of funding are limited. To secure additional financing, a restructuring or refinancing of existing obligations will be required. This will require issuance of substantial additional equity or conversion of debt-to-equity, which may result in current equity holders losing some or all of their investment.

Although the Company has been successful in obtaining sufficient financing to date, there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations or find an acceptable strategic alternative. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

Highlights and recent developments include:

Financing – The Company attempted to arrange additional financing required to complete construction of Amulsar. This was intended to include a restructuring and increase in utilization of its existing debt, stream, and equipment financing facilities and, concurrently, arrange additional equity financing. These efforts were unsuccessful given uncertainties created by the illegal blockades, ongoing government audits and inspections, and other factors associated with a post-revolution provisional government. Thereafter, the Company entered into a Forbearance Agreement to (a) temporarily suspend all principal and interest payments due and payable to each of them under such lender's credit or loan agreement, and (b) forbear from declaring or acting upon, or exercising default-related rights or remedies under such lender's credit or loan agreement with respect to certain events of default, in each case, until the earlier of December 31, 2018, the occurrence of an additional event of default under such lender's credit or loan agreement or any breach by the Company of the Forbearance Agreement.

Cost Containment – The Company has taken increasingly significant measures to reduce costs during the period of blockades. Initially, cost reductions were initiated in a manner to best support a restart of construction upon the removal of the illegal blockades. However, as the blockades continued additional reductions were required. This has further reduced the Company's capacity to restart construction on short notice.

Lydian has reduced personnel, terminated certain construction-related contracts, and placed other contractors on standby through October 31, 2018. Additional cost reductions are in process and will continue during the period of forbearance as discussed above. To date, 130 employees have been dismissed and approximately 115 additional dismissals are expected by year end. This will represent a total reduction in the Company's workforce of approximately 87%. In addition, an estimated 1,100 contracted jobs have been lost. Re-issuances of construction contracts will be possible upon the removal of the illegal blockades. The extent of a construction restart will be dependent upon weather conditions once access is re-established at Amulsar and the availability of funding.

Government Affairs – The Company and other stakeholders continue to work across many levels of the government and communities to have the illegal blockades peacefully removed and to allow construction to continue concurrent with the various audit initiatives ordered by the provisional Prime Minister, Nikol Pashinyan. Despite these efforts, Lydian has been prevented from restarting construction activities. With the impending onset of winter, Lydian is petitioning for unimpeded access to complete a winterization program intended to mitigate damage to the environment, facilities, equipment, and supplies. In addition, the water contract with the regional water organization will be terminated on November 15, 2018. The Company is evauating six options to meet its project water demands.

The Republic of Armenia Environmental and Mining Inspection Agency completed its previously announced compliance audit of Amulsar in August 2018. The report resulted in a series of recommendations. However, following the inspection report, Mr. Artur Grigoryan, head of the Republic of Armenia Environmental and Mining Inspection Body, directed the Company to refrain from any mining-related activities until the Ministry of Nature Protection conducted a study of ecological factors, namely newly found red-listed plants and animal species. Such studies have been completed with no newly found red-listed plants and animal species. At present, Lydian has requested a retraction of the directive to refrain from any mining-related activities and is awaiting a response from the Ministry of Nature Protection.

A second fact-finding working group of multiple members commenced in August 2018 to evaluate potential social, economic, environmental, and health issues that may arise as a result of the project. Upon completion of the audit, Lydian received multiple reports and has submitted responses. Clarifications and appeals are ongoing.

Despite generally favorable outcomes of the first audit and subsequent fact-finding inspection, the Prime Minister has requested a third evaluation to consider, among other things, possible impacts of Amulsar on water resources. On November 8, 2018, the government announced a request for proposals for an international third-party review of the Amulsar Environmental Impact Assessment. The scope and timing has not been made public.

Armenian Prime Minister Nikol Pashinyan resigned on October 16, 2018, a required precursor to new parliamentary elections that are now scheduled for December 2018.

Changes to the Board of Directors – On November 14, 2018, Gordon Wylie resigned as Chair and director of the board of directors (the "Board") to pursue other interests, effective immediately. Russell Ball was appointed as Chair of the Board.

Mr. Wylie said, "I would like to thank the teams in Armenia and Denver for their support over the years and wish them all well. I am proud to have worked with exceptional colleagues who are committed to building a world-class gold mine in Armenia."

Resource Capital Fund VI L.P., nominated two new directors to the Board, Gene Davis and Edward Sellers, to replace Joshua Parrill and John Stubbs who have resigned. Their appointments and resignations were effective November 1, 2018.

ABOUT LYDIAN

Lydian is a gold developer focusing on construction at its 100%-owned Amulsar Gold Project, located in south-central Armenia. However, illegal blockades have prevented access to Amulsar since late June 2018. Amulsar will be a large-scale, low-cost operation with gold production targeted to average approximately 225,000 ounces annually over an initial 10-year mine life. Open pit mining and conventional heap leach processing contribute to excellent scale and economic potential. Estimated mineral resources contain 3.5 million measured and indicated gold ounces and 1.3 million inferred gold ounces as outlined in the Q1 2017 Technical Report. Existing mineral resources beyond current reserves and open extensions provide opportunities to improve average annual production and extend the mine's life. Lydian is committed to good international industry practices in all aspects of its operations including production, sustainability, and corporate social responsibility.

The Company was incorporated under the Business Corporations Act (Alberta) on February 14, 2006. By articles of amendment dated December 12, 2007, the then outstanding shares of the Company were consolidated on the basis of two post-consolidation shares for each three pre-consolidation shares and the Company changed its name from "Dawson Creek Capital Corp." to "Lydian International Limited". By certificate of continuance effective December 12, 2007 pursuant to the Companies (Jersey) Law 1991, the Company was continued under the laws of Jersey from the Province of Alberta. The registered office of Lydian is located at Bourne House, 1st Floor, Francis Street, St. Helier, Jersey, JE2 4QE, Channel Islands. The Company, through two of its subsidiaries, also maintains offices at 5655 South Yosemite Street, Suite 400, Greenwood Village, Colorado, 80111, USA and Vazgen Sargsyan Street, 26/1, 7th Floor, Yerevan 0010, Republic of Armenia.

The Company's Ordinary Shares began trading on the Toronto Stock Exchange under the symbol LYD on January 10, 2008. The Public Offering - Warrants began trading under the symbol LYD.WT on May 26, 2016, and subsequently ceased trading on November 27, 2017.

2018 OUTLOOK

Government inaction to remove the illegal blockades and ongoing government audits and inspections have resulted in construction schedule slippages that impact the Company's ability to achieve its 2018 milestones, including:

- Completing construction of Amulsar;
- Commissioning of the processing facilities, including material handling systems and gold recovery facilities;
- Achieving first gold production; and
- Advancing safety, health, environmental initiatives commensurate with the Company's transition to production.

Achieving these milestones is subject to the removal of the blockades, access to site, resumption of construction activities and the necessary funding to complete such activities. The Company is also evaluating a range of strategic alternatives.

SELECTED FINANCIAL INFORMATION

Results of Operations

	Three months ended September 30,		Nine months ended September 30,	
$ in thousands (except per share data)	2018	2017	2018	2017
Interest income	$ 56	$ 173	$ 362	$ 458
Salaries, general and administrative expenses	1,733	1,402	6,373	5,035
Blockade expenses	21,152	-	21,152	-
(Gain) loss on financial instruments at fair value	(8,810)	1,985	(13,816)	13,001
Other (income) expense, net	1,119	(156)	1,526	(1,053)
Tax expense	9	-	17	25
Net profit (loss)	(15,147)	(3,058)	(14,890)	(16,550)
Net profit (loss) per share (basic and diluted)	$ (0.02)	$ (0.00)	$ (0.02)	$ (0.02)

For the three months ended September 30, 2018 and 2017

The Company had no revenues other than interest income from bank deposits for the three months ended September 30, 2018 and 2017. Interest income is directly related to the cash balance on hand and applicable interest rate during the respective periods.

Salaries, general and administrative expenses for the three months ended September 30, 2018 increased $0.3 million or 24% over the same period in 2017 primarily due to costs associated with gearing towards production including increased professional fees, additional personnel and associated benefits, partially offset by lower share-based compensation expense.

Access to Amulsar has been blocked since late June 2018. During the three and nine months ended September 30, 2018 blockade expenses of $21.2 million relate to idle costs incurred during the blockade, including $6.7 million of labor and contractor costs, $3.7 million of indirect costs, $9.3 million of interest and $1.5 million of depreciation and amortization.

The (gain) loss on financial instruments at fair value include the Company's derivative assets and derivative liabilities associated with the Financing Transactions. The key assumptions included in the derivative models are the gold spot price, gold futures prices, risk-free interest and LIBOR rates and the Company's production schedule and debt repayment schedules. Changes in these assumptions and the passage of time impact the fair value at each reporting period. For the three-month period ended September 30, 2018 the gain on financial instruments is primarily driven by the decline in the gold spot price from $1,251 per ounce at June 30, 2018 to $1,192 per ounce at September 30, 2018 as well as declines in the gold forward curves of approximately $100 per ounce. The loss in fair value for the same period in 2017 was driven by increasing gold spot prices and forward curves.

Other (income) expense, net of $ 1.1 million for the three-months ended September 30, 2018 is primarily due to the write-off of costs associated with unsuccessful restructuring of the Company's stream and debt agreements, and the write-off of an advance under a lease arrangement, partially offset by a gain on foreign currency exchange.

For the nine months ended September 30, 2018 and 2017

The Company had no revenues other than interest income from bank deposits for the nine months ended September 30, 2018 and 2017. Interest income is directly related to the cash balance on hand and applicable interest rate during the respective periods

Salaries, general and administrative expenses for the nine months ended September 30, 2018 increased $1.3 million or 27% over the same period in 2017. Salaries increased due to a one-time severance cost and an overall increase in personnel as the Company ramped for production. General and administrative costs increased due to professional and advisement fees and recruiting costs associated with the Amulsar Gold Project.

The costs associated with the illegal blockades is the same as the three-month period ended September 30, 2018.

The (gain) loss on financial instruments at fair value include the Company's derivative assets and derivative liabilities associated with the Financing Transactions. The key assumptions included in the derivative models are the gold spot price, gold futures prices, risk-free interest and LIBOR rates and the Company's production schedule and debt repayment schedules. Changes in these assumptions and the passage of time impact the fair value at each reporting period. For the nine-month period ended September 30, 2018 the gain on financial instruments is primarily driven by the decline in the gold spot price from $1,306 per ounce at December 31, 2017 to $1,192 per ounce at September 30, 2018 as well as declines in the gold forward curves of approximately $100 per ounce. The loss in fair value for the same period in 2017 was driven by an increase in the gold spot price from $1,150 per ounce at December 2016 to $1,282 per ounce at September 30, 2017.

Other (income) expense, of $1.5 million for the nine-months ended September 30, 2018 includes a write-down of financing costs associated with the unsuccessful restructuring of the Company's debt, the write-down of an advance under a lease, and a loss on foreign currency. Other income of $1.1 million for the same period in 2017 was the result of changes in the foreign currency exchange rates.

There were no extraordinary transactions, nor any significant end of reporting period adjustments during the periods presented other than the costs associated with the blockades.

Summary of Balance Sheet Data

The following table summarizes the Company's financial position:

	September 30, 2018		December 31, 2017	
Current assets	$	24,142	$	55,964
Mineral property, plant & equipment, net		450,637		360,789
Other long term assets		34,405		50,230
Total assets	$	509,184	$	466,983
Current liabilities	$	320,142	$	53,150
Long term liabilities		22,989		194,777
Derivative liabilities		-		39,429
Equity		166,053		179,627
Total liabilities and equity	$	509,184	$	466,983

Currents assets consist primarily of cash, advances to suppliers, refundable VAT and materials and supplies inventory. Overall, current assets decreased $31.8 million from December 31, 2017, of which cash and cash equivalents decreased $43.7 million, restricted cash increased $3.1 million, and other current assets increased $7.4 million primarily due to the refundable VAT in connection with changes to the Armenian legislation.

Mineral property, plant and equipment, net as of September 30, 2018 includes exploration and development costs of $450.6 million. Gross construction expenditures for Amulsar for the nine months ended September 2018 were $114.7 million of which $20.9 million relate to the delays associated with the blockades and have been expensed for financial reporting purposes; an additional $0.3 million of general and administrative costs were classified as blockade expense. Details for the nine months ended September 30, 2018 and 2017, respectively, are as follows:

$ in millions	Nine months ended September 30,							
	Total Incurred 2018		Less: Expensed Due To Blockades		Net Additions 2018		2017	
General Project Costs	$	11.0	$	(4.0)	$	7.0	$	7.7
Infrastructure		2.7		-		2.7		5.4
Material Handling Systems		17.6		-		17.6		48.1
Heap Leach, and Process Facilities		9.7		-		9.7		22.6
Indirect Costs		27.6		(4.7)		22.9		41.8
Owner's Costs		12.8		(1.5)		11.3		12.2
Mine Fleet		1.6		-		1.6		17.0
Site Services, BRSF and Mine Facilities		2.2		-		2.2		4
Other		1.3		-		1.3		-
Non-cash additions		28.3		(10.7)		17.6		10.9
	$	114.8	$	(20.9)	$	93.9	$	169.9
Certain amounts were reclassified to conform to current presentation								

Other long-term assets decreased by $15.8 million, as $14.1 million of financing costs were reclassified to debt as draws on the facilities occurred and miscellaneous other changes.

Current liabilities increased $267.0 million from December 31, 2017 primarily driven by the current classification of the stream liability and debt due to certain events of default at September 30, 2018. The Company's lenders signed a Forbearance Agreement on November 1, 2018 agreeing to postpone principal and interest payments until December 31, 2018. Offsetting the increase is a decrease of $24.8 million in accounts payable as construction activities decreased since year-end. The derivatives associated with the stream increased as their classification is now current. The increase in the derivatives balance is partially offset by the decrease in the gold price of over $100 per ounce.

Long term liabilities and derivatives decreased $211.2 million due in part to the current classification of the stream and debt of $173.0 million and $39.4 million associated with the reclassification of the derivatives to current.

Equity decreased by $13.6 million due to a $14.8 million comprehensive loss for the nine months ended September 30, 2018, partially offset by the recognition of share-based compensation of $1.3 million.

Summary of Cash Flows

The following table is a summary of cash flows:

	Nine months ended September 30,			
		2018		2017
Cash and cash equivalents, beginning of period	$	53,937	$	137,196
Cash used in operations		(13,757)		(3,401)
Cash used in investing activities		(110,167)		(145,894)
Cash from financing activities		80,042		84,576
Foreign exchange effect on cash		150		1
Cash and cash equivalents, end of period	$	10,205	$	72,478

Cash used in operations for the nine months ended September 30, 2018 increased by $10.4 million compared to prior year primarily as costs during the third quarter attributable to the blockades were charged to expense and as personnel spending increased.

Cash used in investing activities decreased $35.7 million over the same period in 2017 as the investing costs incurred during Q3 2018 of approximately $21 million were changed to the cost of the blockades and classified as operating and the general change the construction expenditures as the project nears completion. The investing activities for 2018 relate to payments to vendors for earthworks, concrete, steel, electrical and installation work at the crushing and screening facility and conveyor, fabrication of the ADR Plant and truck shop, associated construction management costs and indirect costs. Prior years expenditures were primarily equipment supply, engineering and infrastructure related.

Cash provided by financing activities decreased $4.5 million over the same period in 2017. Draws on the existing debt facilities increased cash inflows by $9.0 million, the associated financing costs decreased by $3.4 million, offset by increased outflows of $5.5 million associated with the commencement of principal and interest repayments and a change in restricted cash of $11.3 million.

SUMMARY OF QUARTERLY RESULTS

A summary of the Company's results of operations for the eight most recently completed quarters is:

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ (15,147)	$ 4,453	$ (4,196)	$ (7,602)
Net profit (loss) per share (basic and diluted)	$ (0.02)	$ 0.01	$ (0.01)	$ (0.01)
	Q3 2017	**Q2 2017**	**Q1 2017**	**Q4 2016**
Net sales	$ -	$ -	$ -	$ -
Net profit (loss)	$ (3,058)	$ (1,592)	$ (11,901)	$ 21,536
Net profit (loss) per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.02)	$ 0.03

The Company's results of operations are primarily impacted by the change in fair value on its derivative instruments, its general and administrative expenses and most recently by the costs associated with the blockades causing delays in construction. There are no significant impacts of seasonality of the Company's results of operations.

OUTSTANDING SHARE DATA

A summary of the Company's share capital is:

	November 13, 2018	September 30, 2018	December 31, 2017
Ordinary shares	755,633,452	755,633,452	751,964,633
Warrants	5,000,000	5,000,000	5,000,000
Stock options	5,320,000	5,320,000	5,570,000
Restricted stock units	11,814,760	12,645,785	10,131,763

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of September 30, 2018 was $(296.0) million compared to $2.8 million as of December 31, 2017, or a decrease of $298.8 million. The decrease resulted from activities that included receipt of net proceeds from financing activities of $80.0 million, utilization of cash for investing activities of $110.2 million, and $13.8 million expended for operating activities which includes charges due to the blockades. Working capital was also affected by a $267.4 million increase in the current portion of the stream liability and debt due to defaults in certain provisions of the financing agreements, an increase of $17.8 million in derivatives associated with the debt, an increase of $11.9 million in current assets, offset by a decrease in accounts payable and accrued liabilities of $24.8 million.

As described above, under Third Quarter 2018 Highlights and Recent Developments, ongoing illegal blockades and other events have substantially restricted access to capital and caused conditions to occur that are deemed events of default by the Company's senior lenders, stream financing providers, and equipment financiers. Lydian recently signed the Forbearance Agreement to provide funding and additional time while the Company evaluates a range of financing and strategic alternatives.

Additional financing will be necessary if the illegal blockades are removed and Lydian has the opportunity to restart construction. Financing requirements to complete construction and achieve sufficient positive cash flow from operations will depend upon a number of factors, including among others the ultimate duration of the stoppage period, degradation of assets, access to qualified contractors, and weather conditions during the remaining construction period. Management estimates this will require at least $100 million, assuming a restart of construction by Spring 2019, to fund the remaining capital of the project, a working capital contingency, other corporate related costs, and a restructuring or refinancing of existing obligations. Given the Company's existing levels of debt and stream obligations, it is anticipated that any financing solution to complete construction will require issuance of substantial additional equity or conversion of debt-to-equity, which may result in current equity holders losing some or all of their investment.

Strategic alternatives under consideration include a range of options, including a full sale of Lydian or Amulsar. Completing a strategic alternative will require at least sufficient additional capital to maintain the Company's core competencies and Amulsar's rights and interest while a counterparty is identified and any transaction concluded, if at all.

Although the Company has been successful in obtaining sufficient financing to date, there can be no assurance that adequate financing will be available when needed at commercially acceptable terms. Continuation as a going concern is dependent upon continued funding under the Forbearance Agreement and thereafter until any of the potential outcomes are concluded. Currently and at least until the illegal blockades are removed, potential external sources of funding are limited. Furthermore, management expects the additional funding sources to be dilutive to existing shareholders. These circumstances indicate the existence of material uncertainties that create significant doubt as to the Company's ability to meet its obligations when due, and accordingly, continue as a going concern.

In addition to the financing requirements outlined above, the Company may require additional sources of working capital for corporate and other purposes. The Company is subject to certain reimbursement limitations under the terms of the Financing Transactions and Forbearance Agreement. Estimates of such costs will remain in flux until various uncertainties are resolved and actual costs may exceed any such estimates. As a result, sources of funds may be insufficient and require the Company to issue additional equity or seek other funding sources.

The ability to satisfactorily fulfill the conditions of the Forbearance Agreement, in order to draw upon the limited available sources when needed, and meet other obligations of the Company when due is uncertain.

The time periods and the Company's costs relating to the construction-related milestones for Amulsar and other estimates contained in studies or estimates prepared by or for the Company differ significantly from those currently expected by the Company. There can be no assurance that the actual time periods, access to sufficient funding and the Company's actual costs with respect to these objectives will not be higher than currently expected.

See Risk Factors in this MD&A and in the Company's AIF for factors that may impact the timing and success of the Company's planned activities in connection with Amulsar.

The Company has made certain expenditure, performance and timing commitments to the licensing authorities for the Company's projects. Should these expenditure, performance or timing targets not be met or amended, the applicable licenses are not expected to automatically be forfeited, but any shortfall will be considered by the applicable regulatory authority as a factor in whether to renew such licenses, which may have a material negative impact on the Company.

Use of Proceeds

The following table presents the use of proceeds for construction of Amulsar from the Financing Transactions, the equipment financing facilities with Ameriabank, Cat Financial, ING Bank, the EBRD Private Placement and exercise of the Public Offering - Warrants.

In Millions	Original Estimated Use of Proceeds	Actual use of proceeds through Septebmer 30, 2018
Direct costs	$ 161.8	$ 170.8
Construction indirect costs	32.5	44.4
Engineering, procurement, construction management	32.9	51.7
Owner's cost	35.2	22.5
Pre-production working capital	10.0	18.2
Mine fleet and mobile equipment	49.8	42.2
Freight	8.3	9.9
Contingency	37.6	-
Drilling	1.8	2.4
Total construction costs	$ 369.9	$ 362.1
Contingency is allocated out to the areas as needed.		

Management currently estimates the revised project cost of Amulsar to be approximately $465.0 million, assuming a restart in Spring 2019, excluding any blockade related expenses. Projected Amulsar costs and blockade expense will continue to increase as long as the illegal blockades prevent access to site for completion construction activities. The Company is currently seeking additional sources of funding above and beyond the Financing Transactions and is considering other strategic alternatives to complete the construction of Amulsar. There can be no assurance that the Company will successfully source such financing.

TAXES PAID IN ARMENIA

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

The following information is provided as part of the Extractive Industry Transparency Initiative to report payments to agencies and representatives of those governments as a first step towards a more accountable system for the management of natural resources.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
State duty on mining license	$ -	$ -	$ 21	$ 21
Customs duties and fees	110	531	698	876
Land rentals in local communities	155	227	578	638
Other taxes and duties	11	11	22	18
Land status change	-	-	-	3
	$ 276	$ 769	$ 1,319	$ 1,556

The amounts above were paid in Armenian drams and converted to the US dollar using the annual average exchange rate for the reporting period.

FINANCIAL AND OTHER INSTRUMENTS

Financial instruments (assets)

The Company's financial assets include cash and cash equivalents, restricted cash, and derivative assets which are carried at fair value.

Financial instruments (liabilities)

The Company's financial liabilities include accounts payable and accrued liabilities, stream liability and debt that are carried at amortized cost, and derivative liabilities that are carried at fair value.

Derivatives are adjusted to fair value as of the financial statement date, with the amount of adjustment being recognized currently as a gain or loss in the statement of loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the reporting date.

Capital management

The Amulsar Gold Project is in the development stage, as such, the Company is dependent on external financing to fund its activities. The Company manages its capital structure and makes adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, incur, repay or restructure debt, and acquire or dispose of assets to facilitate the management of its capital requirements. The Company prepares annual expenditure budgets that are updated as necessary depending upon various factors, including updates to estimates of capital and operating requirements, successful capital deployment, and general industry conditions. The annual and updated budgets are approved by the board of directors. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Financial risk management

The Company has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk from its use of financial instruments. This discussion presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are discussed below.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due, to the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity or debt funding. The Company's ability to settle borrowings and other long-term liabilities when due is dependent upon future liquidity from capital sources or positive cash flows from commercial operations.

Though the Company currently has financing arrangements in place to meet a portion of its development obligations, access to these funds is subject to meeting certain conditions. There is no assurance that the Company will be able to meet the conditions at the time funds are required, therefore, liquidity risk is present until such a time as the conditions are satisfied.

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates or commodity prices, will affect the value of the Company's financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US dollar and its primary operations are in Armenia. The Company's net assets and liabilities are predominately held in US dollars, Canadian dollars, Armenian drams and Euros. Any impact from changes in currency values, to the US dollar are recognized as foreign currency gains or losses in the condensed consolidated statement of loss.

(ii) Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and assets. The Company's exposure to interest rate fluctuations is due primarily to its debt which has interest rates based on LIBOR. The Company evaluates, on an ongoing basis, opportunities to hedge its interest rate exposure on debt.

(iii) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for gold and silver. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of metal substitutes, inflation and political and economic conditions. There is no assurance that a profitable market will exist for gold and silver produced by the Company. The Company has not hedged the price of any commodity at this time.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk is primarily liquid financial assets including cash and restricted cash. The Company limits its exposure to credit risk on financial assets by investing cash with financial institutions of high credit quality.

On occasion, advances are paid to major Armenian suppliers relating to construction activities. The refundable and deferred VAT receivable and the rehabilitation advance payments are with the Republic of Armenia. The Company has reached an agreement with the Government of Armenia to off-set current amounts owed with respect to VAT and employee withholding against the refundable VAT receivable.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is determined using the fair value hierarchy which prioritizes the inputs to valuation techniques. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable market inputs (Level 3 measurements).

SIGNIFICANT TRANSACTIONS, CONTRACTS AND OFF-BALANCE SHEET ARRANGEMENTS

Significant Transactions and Contracts

Significant transactions and contracts for the nine-month period and through the date of this report:

- $58.2 million loan draw from the Term Facility
- $7.5 million loan draw from ING Term Facility
- $26.1 million loan draw from Cat Term Facility
- Forbearance Agreement dated November 1, 2018
- Termination of the construction management contract
- Termination of major Armenian construction contractor's contracts.

Off-Balance Sheet Arrangements

Net Smelter Royalty Settlement Payments

On April 23, 2010 the Company purchased all of Newmont's interests in the Company's joint venture, which included Newmont's interests in the Amulsar Gold Project. A portion of the consideration included a 3% NSR. However, as provided for in the purchase agreement, on April 9, 2018 Lydian exercised its option to terminate the 3% NSR and in lieu thereof, elected the quarterly payment option to pay to Newmont the aggregate sum of $20.0 million, without interest, in 20 equal quarterly installments of $1.0 million each, commencing on the first day of the third calendar month following the start of commercial production. On July 3, 2018, Maverix Metals Inc. acquired the NSR from Newmont. These potential payments do not meet the definition of an obligation as the triggering event has not occurred as of September 30, 2018 and therefore are not recognized as a liability in the Company's condensed consolidated financial statements.

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

COMMITMENTS

Debt

The table below outlines the maturities of the Company's debt maturities for the next five years.

	As of September 30, 2018	As of December 31, 2017
Up to one year	$ 283,062	$ 15,684
More than one year and not later than five years	-	153,293
More than five years	-	19,737
	$ 283,062	$ 188,714

The Company is considering multiple different alternatives to address its liquidity concerns.

Leases

The Company leases office space, accommodations, and lands associated with the Amulsar Gold Project. Inclusive of certain cancelable land leases, rental obligations include:

	September 30, 2018
Up to one year	$ 1,836
More than one year and not later than five years	6,557
More than five years	7,702
	$ 16,095

Construction Contracts

The Company has entered into equipment supply and earthworks contracts for the construction of Amulsar. Due to the blockades, construction contractors have been idled during the quarter. As of September 30, 2018, the Company had $34 million in committed contracts, of which many have been terminated subsequent to September 30, 2018.

RELATED PARTY TRANSACTIONS

Key management compensation, including board of director's fees is deemed a related party transaction, as outlined in the Management Information Circular dated May 11, 2018 for the 2018 annual general meeting and in Note 17 to the condensed consolidated financial statements for the period ended September 30, 2018.

CRITICAL JUDGEMENTS, ESTIMATES AND ACCOUNTING POLICIES

The Company's unaudited condensed consolidation financial statements are prepared in accordance with IFRS, including IAS 34, *Interim Financial Reporting.* The significant accounting policies applied and recent accounting pronouncements are described in Note 2 and Note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2017. There have been no significant changes in the Company's accounting policies applied to the condensed consolidated financial statements for the period ended September 30, 2018. Certain reclassifications of prior period data have been made to conform to the current interim report.

In applying the Company's accounting policies, management is required to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of certain assets, liabilities, equity, income and expenses in instances when valuation is not readily apparent from other sources. These judgments, estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. In management's opinion, all adjustments considered necessary for fair presentation have been included in these financial statements.

Significant judgments made by management and applied in preparing the condensed consolidated financial statements for the period ended September 30, 2018 are consistent with those applied and disclosed Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017, except that the timing to achieve positive cash flow from operations has been revised in the Company's impairment analysis for mineral properties.

Accounting Pronouncements

The accounting policies followed in these condensed consolidated financial statements were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2017, except for the following new standards, interpretations and amendments to standards and interpretations were issued and effective for the current reporting period:

IFRS 9, *Financial Instruments* – The IASB published IFRS 9 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement, and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model, and a substantially reformed approach to hedge accounting. The Company evaluated this change in the standard and there was no impact from the adoption.

IFRS 2, *Share based payments* – In June 2016 the IASB issued an amendment clarifying the accounting treatment for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. The IFRS 2 amendments were effective for annual periods beginning on or after January 1, 2018. The Company evaluated the change in this standard and there was no impact from the adoption.

IFRS 15, *Revenue from Contracts with Customers* – The IASB published IFRS 15 in July 2014, effective for annual periods beginning on or after January 1, 2018. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance not covered under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. Presently, IFRS 15 has no impact because the Company had no revenue from operations. The Company will apply the new standard and related disclosures upon commencement of production.

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning after January 1, 2019 and have not been early adopted. Pronouncements that are not applicable have been excluded from those described below.

IFRS 16, *Leases* – The IASB published IFRS 16 in January 2016 effective for annual periods beginning on or after January 1, 2019. IFRS 16 may be applied before that date but only in conjunction with IFRS 15. The standard establishes principles to determine recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 and related interpretations. The Company is evaluating the effect of the standard on its financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Financial reports and other disclosures by the Company are subject to Management's systems for maintaining internal controls over financial reporting and disclosure controls as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. In preparing disclosures, Management makes certain interpretations and relies on assumptions and estimates. There is no assurance that Management's internal controls, interpretations, assumptions and estimates, or other precautions will completely ensure reliable and timely disclosures are made.

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

Management of the Company was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The result of the inherent limitations in all control systems means no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. There have been no significant changes in the Company's ICFR that occurred during the period ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the condensed consolidated financial statements, is the responsibility of Management. In 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 Company's condensed consolidated financial statements.

RISK FACTORS

The Company faces significant risks and uncertainties, the mineral resource sector can be highly speculative in nature. Many of these can have material and adverse effects on the valuation of the Company's securities, cash flows, financial condition, results of operations, rights and interests, existing business activities, plans and prospects. Additional risk factors and additional information relating to the Company are discussed in the Company's most recent AIF and other filings available on SEDAR at www.sedar.com. The continuance of the illegal blockades has caused the Company to face additional risks and uncertainties as otherwise set out herein.

Director and Officer Insurance Renewal

The Company's current director and office insurance policy expires on December 31, 2018 and the Company may encounter difficulty in renewing the policy or obtaining a new director and officer insurance policy. If the Company is unable to obtain adequate director and officer insurance to protect its directors and officers, the Company may be in breach of certain contractual commitments it has to require it to maintain adequate director and officer insurance. Additionally, the Company may have difficulty retaining or finding new directors and officers without adequate director and officer insurance in place. This may result in the Company having to restructure or cease operations.

Ability to Continue as a Going Concern

The Company's ability to continue is dependent upon a continuation of funding under the Forbearance Agreement. Thereafter, the Company will be dependent upon the resumption of construction once the illegal blockades are removed, the Company's ability to successfully fund its cash obligations from external sources until construction is complete, and sufficient positive cash flow from operations being generated. Alternatively, sufficient funding will be required until a strategic alternative can be arranged, if at all. Although the Company has obtained sufficient financing to date, including during the period of the illegal blockades, there can be no assurance that adequate financing will be available when needed at commercially acceptable terms and that the Company will ultimately be able to generate sufficient positive cash flow from operations. There is a risk that the Company may not be able to meet its obligations when due and accordingly continue as a going concern. The consolidated financial statements were prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business.

Additionally, the Company has entered into the Forbearance Agreement dated November 1, 2018 with its senior lenders, stream financing provider and equipment financiers to temporarily suspend all principal and interest payments due and payable to each of them under such lender's credit or loan agreement, and forbear from declaring or acting upon, or exercising default-related rights or remedies under such lender's credit or loan agreement with respect to certain events of default, in each case, until the earlier of December 31, 2018, the occurrence of an additional event of default under such lender's credit or loan agreement or any breach by the Company of the Forbearance Agreement. There is no assurance that after December 31, 2018, the Company will be able to meet its obligations under the applicable credit or loan agreements with its senior lenders, stream financing provider and equipment financiers and that the Company will avoid events of default as contemplated under such agreements. There is a risk that the Company may not be able to receive forbearance from the same parties under the Forbearance Agreement after December 31, 2018 and as a result there is a risk that the Company will be in event of default under its agreements with its senior lenders, stream financing provider and equipment financiers.

Termination of Contracts

To reduce costs and expenses as a result of the continuing blockades, the Company has had to terminate certain contracts. As a result of such terminations, should construction resume, the Company will have to enter into replacement contracts. There can be no assurance that such contracts will be on same or better terms than those terminated and may in fact be less favorable to the Company. The Company has terminated the contracts in accordance with their terms and applicable law; however certain of the contracting parties may dispute such terminations and seek compensation as a result thereof.

Termination of Employees

To reduce costs and expenses as a result of the continuing blockades, the Company has had to terminate many of its employees. These reductions may affect the Company's ability to maintain current operations at the same level and standard as before the terminations. As a result of such terminations should construction resume, the Company will have to hire replacement employees. There can be no assurance that employees with the necessary skills and experience will be available and may result in additional costs and delays for the Company.

Government Relations

The illegal blockades and audit requirements arose in June 2018 following the change in government in Armenia. Elections are expected in December 2018 following which the Company may have additional obligations required of it as a result of any change or continuance in government. The Company continues to engage with government officials however there can be no assurance that such engagement will result in the removal of the blockades and the ability to restart construction in a timely manner, if at all.

Access to Mine Site

The Company expects to have access to the mine site to allow for winterization of the facilities and equipment pending the removal of the blockades; however, if such access is not provided or discontinued, then certain work to date and equipment may be damaged or lost. This may significantly increase the cost to complete the mine, as well as delay its completion.

Access to Capital

As a result of the illegal blockades and the actions or inactions of government officials in Armenia, the ability of the Company to raise additional capital at reasonable costs, or at all, may be extremely limited. Any additional sources of capital may be limited and may not be sufficient to allow the Company to complete or even continue construction once the illegal blockades are removed. To secure additional financing, a restructuring or refinancing of existing obligations will be required. This will require issuance of substantial additional equity or conversion of debt-to-equity, which may result in current equity holders losing all or some of their investment.

CAUTIONARY STATEMENTS

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements, as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect Management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "would", "project", "budget", "scheduled", "forecast", "could", "believe", "predict", "potential", "should", "might", "occur", "achieve", "target" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. In particular, information regarding: the Company's development and construction activities at Amulsar; the Company's future operating and production results and economic performance; the illegal blockades at the Amulsar site and potential cost reductions as a result; the Company's dealings with the Armenian government and communities to have the blockades removed to allow Lydian to resume construction activities; the Company's discussions with its lenders in connection with the illegal blockades; restructuring of funding instruments and potential funding through the issuance of equity; the Company's capital costs in relation to Amulsar; the Company's consideration of other strategic alternatives to complete the construction of Amulsar and to address liquidity concerns; the Company's transition to operations at Amulsar, including progressing safety, health and environmental initiatives; the satisfaction or waiver of applicable conditions of certain Financing Transactions; the sufficiency of working capital and debt facilities to advance ongoing activities; the Company's approach to sustainability, including the biodiversity programs; the expenditures, performance and timing commitments made by the Company to licensing authorities for the Company's projects; the exposure to financial risks; the estimated mineral resources of Amulsar; potential future offerings and the expected use of proceeds from such offerings; the expected use of proceeds from the equipment financing, the EBRD Private Placement and the Financing Transactions; the Company's ability to meet its gold and silver delivery obligations under the Stream Agreement; the impact of the Offering, the equipment financing and the Financing Transactions on the Company's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; the anticipated economic and feasibility parameters of Amulsar; the expected cost and timing of construction and development of Amulsar, including the related key milestone dates and expected timing of first gold production; the expected mine life, scale, construction, mining operations and plan, processing methods and rate, grades, recovery rates, total recovery, stripping ratio, average annual tonnes mined/processed, production and other attributes of Amulsar; the anticipated timing and success for the receipt of permits/licenses from the applicable authorities; the adjustment of the Company's capital structure; the expected timing of delivery of key equipment; the anticipated key design features for the mining operations at Amulsar; and the application of certain accounting standards, is forward-looking information.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals;
- the exchange rate between the Canadian dollar, the Armenian dram, the British pound, the Euro and the US dollar;
- the timing of the receipt of any outstanding 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, on a timely basis and on reasonable terms;
- the receipt of all environmental approvals, required permits, licenses and authorizations and timing thereof;
- tax rates, including the allocation of certain tax attributed to Amulsar;
- mine life, total tonnes mined and processed, and mining operations;
- the operation and economic viability of the development of Amulsar;
- that the 5% discount rate used to complete the Q1 2017 Technical Report is sufficient;
- labour and materials cost increases;
- permitting and arrangements with landholders;
- the ability to attract and retain skilled staff;
- exploration and development timetables;
- market competition;
- the accuracy of the Company's resource and reserve estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based;
- the satisfaction or waiver of all conditions to the completion, effectiveness or availability, as the case may require, of each of the Financing Transactions;
- the receipt of funds under each of the Financing Transactions; and
- the Company's ability to meet its gold and silver delivery obligations under the Stream Agreement.

These forward-looking statements involve risks and uncertainties relating to, among other things, significant capital requirements and availability of capital resources to fund such requirements; price volatility in the spot and forward markets for commodities; fluctuations in the international currency markets and in the rates of exchange of the currencies of Canada, Armenia, Great Britain and the United States; the illegal blockades at the Amulsar site; discrepancies between actual and estimated production, between actual and estimated reserves and resources and between actual and estimated metallurgical recoveries; changes in national and local government legislation in Armenia; taxation; changes to the Company's mine plan or profitability or to the Company's asset profile that might alter the allocation of tax attributes to Amulsar; controls, regulations and political or economic developments in Jersey, Canada or Armenia; the speculative nature of mineral exploration and development; risks associated with obtaining and maintaining the necessary licenses and permits and complying with permitting requirements, including, without limitation, approval of the Armenian Government and receipt of all related permits, authorizations or other rights; the uncertainties inherent to current and future legal challenges the Company is or may become a party to; diminishing quantities or grades of reserves and resources; competition; loss of key employees; adverse general economic, market or business conditions; availability of commercially acceptable financing when needed; ability to generate sufficient positive cash flow from operations; the ability of the Company to meet its obligations when due; rising costs of labour, supplies, fuel, electricity and equipment; actual results of current exploration activities; uncertainties inherent to mining economic studies such as Q1 2017 Technical Report, including the risk that the assumptions underlying the Q1 2017 Technical Report and its economic parameters will not be realized; changes in project parameters as plans continue to be refined; accidents; labor disputes; defective title to mineral claims or property or contests over claims to mineral properties; delays and costs inherent to consulting and accommodating local stakeholders; and uncertainties with respect to obtaining all necessary surface rights, land use rights and other tenure from the Armenian government and private landowners required for Amulsar. In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks). Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors referenced in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might change or not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law. See “Forward-Looking Statements” in the AIF and other filings available on SEDAR at www.sedar.com.

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 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.

GLOSSARY OF DEFINED TERMS

"*ADR Plant*" or "*ADR*" means the adsorption, desorption and recovery plant;

"*AIF*" means the annual information form of the Company dated March 27, 2018 for the year ended December 31, 2017;

"*Ameriabank*" means Ameriabank CJSC;

"Amulsar" or "*Amulsar Gold Project*" means Lydian's 100% owned gold project at Amulsar, located in south-central Armenia;

"C$" means Canadian dollar;

"Cat Financial" means Caterpillar Financial Services (UK);

"Cat Term Facility" means the $42 million secured credit facility, dated December 22, 2016, between Lydian Armenia and Cat Financial;

"*Company*" or "*Corporation*" or "*Lydian*" or "*we*" or "*us*" or "*our*" means Lydian International Limited and its affiliates;

"*DC&P*" means disclosure controls and procedures;

"*EBRD*" means the European Bank for Reconstruction and Development;

"EBRD Private Placement" means the private placement closed by the Corporation on August 15, 2016 with the EBRD, for an aggregate of 33,500,000 Ordinary Shares at a price of C$0.34 per share, for aggregate gross proceeds of C$11,390,000;

"*Financing Transactions*" means, collectively, the series of financing transactions in an aggregate amount of approximately US$325 million, as subsequently amended to $314 million, entered into between the Company, Orion and RCF, to finance the engineering, design and construction of the plant, the acquisition of equipment, mine development and start-up costs, interest during construction, fees and expenses related to the financing transactions, other development costs, working capital requirements of Amulsar, and for corporate and working capital purposes;

"*Forbearance Agreement*" "means the forbearance agreement dated November 1, 2018 among the Company and its senior lenders, stream financing providers and equipment financiers.

"*IAS*" means International Accounting Standard;

"*IASB*" means the International Accounting Standards Board;

"*ICFR*" means internal controls over financial reporting;

"*IFRS*" means the International Financial Reporting Standards as issued by the International Accounting Standards Board;

"*ING Bank*" means ING Bank N.V.;

"*ING Term Facility*" means a secured credit facility, dated February 8, 2017, between Lydian Armenia and ING Bank for a maximum principal amount of up to $50 million, which was amended on December 14, 2017;

"*Lydian Armenia*" means Lydian Armenia CJSC, formerly Geoteam CJSC, the Company's wholly-owned subsidiary which holds Amulsar;

"*Management*" means the management of the Company;

"*MD&A*" means this Management's discussion and analysis;

"*Newmont*" means Newmont Overseas Exploration Limited;

"*NI 43-101*" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*;

"*NSR*" means net smelter royalty;

"*Offering*" means the offering completed on March 17, 2016, in connection with the Financing Transactions, of an aggregate of 115,000,000 Subscription Receipts in the capital of the Corporation, at a price of C$0.29 per Subscription Receipt, pursuant to the Corporation's final Short Form Prospectus dated March 11, 2016;

"*Offtake Agreement*" means the offtake agreement dated November 30, 2015 among Lydian Armenia, the Company, Lydian International Holdings Limited, Lydian Resources Armenia Limited, Orion and RCF;

"*Ordinary Shares*" means the ordinary shares of no par value in the capital of the Company;

"*Orion*" means both or either Orion Co IV (ED) Limited and Orion Co IV (SO) Limited;

"*Q1 2017 Technical Report*" means the "NI 43-101 Technical Report, Amulsar Updated Resources and Reserves, Armenia, dated March 21, 2017";

"Q3 2018" means the three-month period ended September 30, 2018;

"*RCF*" means Resource Capital Fund VI L.P.;

"*SEC*" means the U.S. Securities and Exchange Commission;

"*SEDAR*" means the System for Electronic Document Analysis and Retrieval administered by the Canadian Securities Administrators;

"*Stream Agreement*" means the purchase and sale agreement (gold and silver) dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Stream Agreement is a componet of the Financing Transactions.
"*Subscription Receipts*" means the subscription receipts of the Company offered pursuant to the Short Form Prospectus, including, for greater certainty, the Over-Allotment Option;

"*Term Facility*" means the $160 million Term Facility Agreement, dated November 30, 2015 between the Corporation, Lydian Armenia, Orion and RCF, as may from time to time be amended, restated, replaced, waived or supplemented. The Term Facility is a component of the Financing Transactions;

"VAT" means value added tax; and

"*Warrants*" means a whole Ordinary Share purchase warrant of the Corporation (subject in each case to adjustment in certain circumstances) resulting from the three-quarters of on Ordinary Share purchase warrant issued in connection with the Subscription Receipts. Also described as "Public Offering – Warrants".