



CEO's Message



Dear Subscriber,

2011 update and the journey into 2012

Your Company has two principal aims in the coming period: to define the best option for moving Amulsar into production by 2014, and, to preserve and increase your Company's value by further defining the resource upside at Amulsar.

We have just returned from a successful North American marketing trip which included being a sponsor at the prestigious Denver Gold Forum in Colorado Springs. Whilst at the Forum we met with many interested parties and shareholders and discussed strategy and resource upside at Amulsar.

In terms of strategy Lydian is currently conducting detailed engineering in parallel with bankable feasibility studies at Amulsar with a view to completing a Definitive Feasibility Study in the first half of 2012 and commencing gold production in 2014. Financially, the company is in a strong position with a healthy cash balance of CAD 16.8M and with a further CAD 2M expected in from well in the money warrants later this year. Lydian also has the option, if required, to defer the USD 5M Newmont payment due at the end of 2011 for a further 12 month period. Importantly, with these cash flow options the Company has the ability to finance Amulsar through to Definitive Feasibility and to the point of project financing. A combination of leasing, debt and equity is one of a number of financing options currently being considered. Three international financial institutions, including our two significant shareholders (IFC and EBRD), and seven commercial lending banks visited Amulsar in June/July 2012 with another commercial bank due out later this month. There has been a wider and more detailed interest in financing the Amulsar project than we had initially expected.

Our Preliminary Economic Assessment which we released in July this year indicated that Amulsar will be a low cost and highly profitable operation. Furthermore, as higher-grade soft oxidized gold mineralization can be found from-surface at Amulsar there is an option for Lydian to develop an initial very low capital, small-scale run-of-mine (ROM) project. In this scenario, soft ore from within the Company's current mining license at Tigranes could be selectively mined without the need for drilling, blasting and crushing and can be delivered to a small-scale pad and plant at very low initial capital cost to ensure early cash flow. This option is currently under evaluation as another potential way to start mining at Amulsar, so that if deemed necessary we can reduce initial dependence on external funding.

To-date resource upside projections have been based principally on exploration drilling, soil geochemistry and "dot-joining" using trends outlined from geological mapping.

Upside projections are helped by additional and arguably more objective field data such as geophysics. Oxidized ore is not readily amenable to electrical geophysical methods and so earlier this year the Company commenced a very detailed and sensitive ground gamma-ray spectrometer survey which helps map faults, fractures and rock-types in oxidized and altered rocks.

The results are compelling (details in Figure 1 below) with mineralised fault zones clearly extending from outcropping or drill-identified localities under soil or colluvial cover for significant distances.

The main findings are as follows:

1. Erato and Artavasdes are connected along an extension of the Artavasdes Fault which is largely undrilled.
2. The Artavasdes Fault extends through Arshak for at-least a further 500m towards the SW (undrilled).
3. Drill hole 87 which intersected 72m at 0.8 g/t gold (including 12 meters at 1 g/t and 35 meters at 1 g/t gold) to the SW of the resource shell can be connected in the data to Artavasdes along the approximately 1km long SW Artavasdes Zone.
4. Tigranes appears to extend for at-least a further 500m towards the NE.
5. At Erato a new untested NE-trending zone which parallels gold mineralization at Tigranes has been identified.
6. There is a discrete NE-SW trending structure evident and extending for 1km away from the resource shell at Arshak.

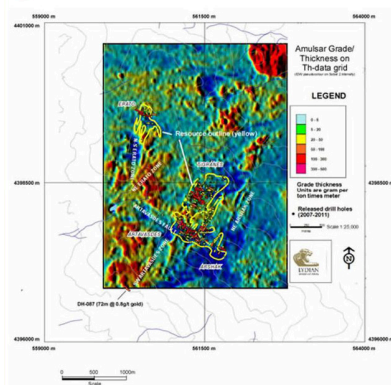
In addition our drilling program and press released results this year have shown good evidence for the continuation of discrete higher grade zones at depth below the current pit floor. Further drilling is aimed at exploring the potential of these zones as additional underground resources.

We still have a few more months to drill at Amulsar until the winter weather stops us and we will continue to Press Release regular updates on our drilling results and production plans.

In conclusion, Lydian is particularly well-placed with a growing resource, a strong cash balance, robust project economics and with the possibility of commencing run-of-mine production earlier than expected and without the need for external funding.

Tim Coughlin, President and CEO

Figure 1



[See Larger image](#)

About Lydian

Lydian (TSX:LYD) is a gold-focused mineral exploration and development company with expertise employing "first mover" strategies in emerging exploration environments. Currently Lydian is focused on Eastern Europe and on developing its flagship Amulsar gold project in Armenia. The Amulsar group of licences is wholly owned by Lydian's Armenian subsidiary (Geoleam CJSC). Lydian also has a pipeline of promising early-stage gold and base metal exploration projects in the Caucasus regions.

For more company or project information please visit our Lydian website on www.lydianinternational.co.uk

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Staff Profile

Donna Pugsley
Investor Relations
Officer



Donna Pugsley joined Lydian in July 2011 as Investor Relations officer, expanding the IR team. Donna's background is in Media communications and Publishing and she completed a BA Honours degree at the University of Gloucestershire in 2009. With experience in Public Relations and Marketing, Donna is an invaluable addition to the existing IR function. Donna's main responsibilities within the team are for the corporate web site and all external facing marketing materials including investors' presentations, Newsletters and Press Releases. Donna will also be actively involved in planning and attending marketing and conference events in the near future. Donna recently returned to Jersey after a year travelling the world, an experience she hopes will help her in her new role.

Future Conferences and Events Lydian are attending

Proactive Investor Seminars – Dublin & Manchester, UK – 12-13 October 2011
[Proactive investor seminar details](#)

Mines and Money Conference – London, UK – 6-7 December 2011
[Mines and Money London details](#)

PDAC International Convention – Toronto, Canada – 4-7 March 2012
[PDAC conference details](#)

Recent Press Releases

04 October 2011
[Lydian reports further drill results from Amulsar including 101 meters at 2.2 g/t and 139 meters at 1.0 g/t Gold \(open at depth\).](#)

03 October 2011
[Lydian receives land status change approval for Amulsar Gold project, Armenia](#)

18 September 2011
[Lydian reports further drill results from Amulsar including 156 meters at 1.7 g/t, 63 meters at 2.0 g/t and 53 meters at 1.3 g/t Gold.](#)

Do you have questions or comments? We like hearing from our investors. E-mail us on info@lydianinternational.co.uk or call Canada +1 (416) 504 8001 Jersey +44 (0) 1534 715472