TETHYAN RESOURCES PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017, NINE MONTHS ENDED DECEMBER 31, 2016 AND YEAR ENDED MARCH 31, 2016

(Expressed in Great British Pounds)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tethyan Resources Plc

We have audited the accompanying financial statements of Tethyan Resources Plc, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of loss and comprehensive loss, cash flows and changes in equity (deficiency) for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tethyan Resources Plc as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The consolidated financial statements of Tethyan Resources Plc as at and for the nine month period ended December 31, 2016 and as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 30, 2017.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that Tethyan Resources Plc has not earned any revenues, has a working capital deficiency and has incurred a net loss in the current and prior year. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast substantial doubt about Tethyan Resources Plc's ability to continue as a going concern.

KPMG LLP (signed)

Chartered Professional Accountants

Vancouver, Canada
April 30, 2018

TETHYAN RESOURCES PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of Great British Pounds)

As at		December 31, 2017		December 31, 2016		March 31, 2016
Assets						
Current						
Cash and cash equivalents	£	57	£	985	£	1,024
Receivables, deposits and prepayments		118		338		6
		175		1,323		1,030
Non-Current Assets						
Amounts receivable from related parties		-		348		-
Equipment		43		-		-
Total assets	£	218	£	1,671	£	1,030
Liabilities						
Current						
Accounts payable and accrued liabilities	£	313	£	308	£	66
Loan from related party (Note 7)		238		-		-
Total liabilities		551		308		66
Shareholders' equity (deficiency)						
Share capital (Note 5)		3,933		3,910		3,735
Share premium (Note 5)		27,784		26,881		25,431
Share-based payment reserve		924		812		736
Currency translation reserve		(50)		(6)		-
Own shares held reserve		(71)		(71)		(71)
Retained losses		(32,853)		(30,163)		(28,867)
Total shareholders' equity (deficiency)		(333)		1,363		964
Total liabilities and shareholders' equity (deficiency)	£	218	£	1,671	£	1,030

Nature of operations and going concern (Note 1)
Commitments (Note 4)
Subsequent events (Note 11)

On behalf of the Board of Directors

"Mike Andrews" Director   *"Fabian Baker"* Director

The accompanying notes are an integral part of these consolidated financial statements.

TETHYAN RESOURCES PLC
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in thousands of Great British Pounds, except per share amount)

	Twelve months ended December 31, 2017	Nine months ended December 31, 2016	Twelve months ended March 31, 2016
Expenses			
Consulting	£ 293	£ 123	£ 41
Director fees	92	74	-
Filing and regulatory	65	44	14
Foreign exchange loss (gain)	3	(5)	-
Exploration and evaluation expenditure (Note 4)	834	94	95
Office and administrative	194	36	54
Professional fees	279	210	124
Salaries	245	67	74
Share-based compensation (Note 5)	112	76	29
Travel	130	67	39
Loss before other items	2,247	786	470
Other items			
Loss on acquisition of subsidiaries (Note 3)	387	317	-
Impairment of receivables	56	192	
Finance expense (income)	-	1	(5)
	443	510	(5)
Net loss for the period	2,690	1,296	465
Exchange difference on translation of foreign currency	44	6	-
Net comprehensive loss for the period	£ 2,734	£ 1,302	£ 465
Loss per share			
Basic and diluted loss per share (in pence)	£ (9.90)	£ (11.26)	£ (4.02)
Weighted average number of shares outstanding ('000)	27,152	11,564	11,564

The accompanying notes are an integral part of these consolidated financial statements.

TETHYAN RESOURCES PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of Great British Pounds)

	Twelve months ended December 31, 2017	Nine Months ended December 31, 2016	Twelve months ended March 31, 2016
Cash flows from operating activities			
Net loss for the period	£ (2,690)	£ (1,296)	£ (465)
Adjustments for:			
Impairment of receivables	56	192	-
Share-based compensation	112	76	29
Loss on acquisition of subsidiaries	387	317	-
Finance expense (income)	-	1	(5)
Changes in non-cash working capital items:			
Amounts receivable	(151)	(124)	(17)
Accounts payable and accrued liabilities	5	237	21
Net cash used in operating activities	(2,281)	(597)	(437)
Cash flows from investing activities			
Loans to related parties	-	(540)	-
Proceeds from disposal of investment	-	-	505
Acquisition of equipment	(42)	-	-
finance income received	-	2	3
Net cash used in investing activities	(42)	(538)	508
Cash flows from financing activities			
Loan from related party	238	-	-
Proceeds from private placement and exercise of stock options, net of share issuance cost	1,189	1,096	208
Net cash provided by financing activities	1,427	1,096	208
Change in cash during the period	(896)	(39)	279
Effect of foreign exchange on cash	(32)	-	-
Cash, beginning of the period	985	1,024	745
Cash, end of the period	£ 57	£ 985	£ 1,024

The accompanying notes are an integral part of these consolidated financial statements.

TETHYAN RESOURCES PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017, NINE MONTHS ENDED DECEMBER 31, 2016 AND TWELVE MONTHS ENDED MARCH 31, 2016
(Expressed in Thousand of Great British Pounds)

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Own shares held reserve	Retained losses	Total equity
Balance, March 31, 2015	£ 3,687	£ 25,271	£ 707	£ 748	£ (50)	£ (29,150)	£ 1,213
Share-based compensation	-	-	29	-	-	-	29
Shares issued for private placement	48	160	-	-	-	-	208
Shares held by EBT	-	-	-	-	(21)	-	(21)
Transfer from currency translation reserve	-	-	-	(748)	-	748	-
Net loss for the year	-	-	-	-	-	(465)	(465)
Balance, March 31, 2016	3,735	25,431	736	-	(71)	(28,867)	964
Shares issued for private placement and pursuant to earn-in agreement and acquisition	175	1,450	-	-	-	-	1,625
Share-based compensation	-	-	76	-	-	-	76
Net loss for the period	-	-	-	-	-	(1,296)	(1,296)
Foreign currency translation	-	-	-	(6)	-	-	(6)
Balance, December 31, 2016	3,910	26,881	812	(6)	(71)	(30,163)	1,363
Shares issued for private placement and exercise of stock options	23	903	-	-	-	-	926
Share-based compensation	-	-	112	-	-	-	112
Net loss for the period	-	-	-	-	-	(2,690)	(2,690)
Foreign currency translation	-	-	-	(44)	-	-	(44)
Balance, December 31, 2017	£ 3,933	£ 27,784	£ 924	£ (50)	£ (71)	£ (32,853)	£ (333)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Tethyan Resources plc (the "Company") is a public limited company incorporated and domiciled in England. The address of the Company's registered office is 27-28 Eastcastle Street, London W1W 8DH. On August 17, 2017, the Company obtained a receipt in connection with the filing of a non-offering final prospectus in the province of British Columbia, Canada. As a result, the Company is now a reporting issuer in the province of British Columbia. In addition, the Company's ordinary shares commenced trading on the TSX Venture Exchange ("TSX-V") on September 6, 2017 and the Company delisted its shares from the AIM Market of the London Stock Exchange.

The Company is currently in the process of acquiring, exploring and evaluating potential properties in Serbia and has not yet determined whether the properties contain reserves that are economically recoverable.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations. As at December 31, 2017, the Company has a working capital deficiency of £376,000. The Company has incurred negative cash flows from operations and recorded a loss of £2,690,000 for the year ended December 31, 2017 (nine months ended December 31, 2016- £1,296,000). Subsequent to December 31, 2017, the Company obtained a loan from a director of the Company for £350,000 and raised C$1,303,375 in a private placement (Note 11). However, the Company expects that it will require additional debt or equity funding in the next year in order to continue its exploration and evaluation activities and meet its business objectives. The Company's ability to continue on a going concern basis depends on its ability to successfully raise financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These conditions result in material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments that are measured at fair value, as explained in the accounting policies and methods of application set out below. These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 30, 2018.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control over an investee is defined to exist when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

Functional and presentation currency

The consolidated financial statements are presented in Great British Pounds Sterling ("GBP"), which is the Company's functional currency. Reference to "C$" are to Canadian dollars and references to € are to Euros.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to GBP at the foreign exchange rate in effect on that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets carried at fair value and denominated in foreign currency are translated at the rate prevailing when the fair value was determined.

On consolidation, the assets and liabilities of the Group's foreign operations that do not have a GPB functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the dates of the transactions. Exchange differences arising on translation are recognized in other comprehensive income and in the currency translation reserve within equity. Such translation differences are reclassified to profit and loss in the period in which the operation is disposed of.

Business combinations

For business combinations, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition.

Any excess of the fair value of the consideration over the fair values of the identifiable net assets acquired is recognized as goodwill, which is subsequently tested for impairment rather than amortized. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in consolidated profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Exploration and Evaluation costs

Exploration and evaluation (E&E) expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration, including those incurred through joint operations. Once legal right, defined by the Company as ownership of a mining licence, to explore a property has been acquired, such costs are recognized as exploration and evaluation assets pending determination of the technical and commercial feasibility of the project. These expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on equipment during the exploration phase. They also include certain administrative costs that are allocated to the extent that those costs can be related directly to exploration and evaluation activities. Costs not directly attributable to exploration activities, including general administrative overhead costs, are expensed in the period in which they occur. Costs incurred prior to obtaining a legal right to explore, including costs incurred pursuant to option or earn in agreements pursuant to which the Company will acquire an exploration license or right if completes certain milestones and activities, are expensed as exploration and evaluation expenditures.

If an exploration project is deemed successful based on feasibility studies, the related capitalized expenditures are tested for impairment and then reclassified to development and production (D&P) assets and amortised over the estimated life of the ore reserves on a unit of production basis. Where a project is abandoned or considered to be no longer economically viable, the related costs are written down to its estimated fair value and the related impairment charge recognized in profit or loss. An exploration property is reviewed for impairment annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The recoverability of amounts capitalized as exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete property development, and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Furniture, computers, and field equipment are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets currently estimated to be four years. Depreciation of furniture, computers and field equipment are allocated to exploration and evaluation costs when equipment is used in exploration activities.

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites. The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not currently have material rehabilitation requirements.

Impairment testing of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash- generating unit level.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist and, if applicable, an impairment loss is reversed through profit or loss.

Financial instruments

Trade and other receivables are not interest bearing and are recognised initially at their fair value plus transaction costs and subsequently at amortised cost. A provision is made if there is any objective evidence of impairment. Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Trade and other payables are not interest bearing and are recognised initially at their fair value less transaction costs and subsequently at amortised cost.

Employee benefits

Short term employee benefits are expensed as the related services are performed. The Company does not have long term or post-retirement benefit plans.

Share-based payments

Directors, senior executives and consultants of the Group have been granted options to subscribe for ordinary shares. All options are equity settled.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted, at date of grant, and is recognized in profit or loss over the estimated vesting period with a corresponding credit in the share-based payment reserve in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The estimated fair value is determined using an appropriate valuation model considering the effects of the vesting conditions, expected exercise period and the payment of dividends by the Company.

Operating lease payments

Operating lease payments are recognized in profit or loss on a straight line basis over the lease term. Lease incentives are recognized on a straight line basis over the term of the lease.

Share capital

The Company's ordinary shares are classified as equity. Costs directly attributable to the increase of new shares are shown in equity as a deduction from the proceeds.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. The following are the Company's critical accounting judgements:

- The Company's assessment of its ability to continue as a going concern requires judgments about whether sufficient financing will be obtained in the near term. See Note 1.
- The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which the subsidiary operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made are as follows:

- The determination of fair values of shares and share-based compensation which require assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact share-based payment expense to be recognized in profit and loss.
- The application of the Company's accounting policy for exploration and evaluation costs requires estimates in determining whether it is likely that future economic benefits such as legal rights will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

New accounting standards and pronouncements

The following IFRS Standards and Interpretations, which were issued but not yet effective have not been applied in the consolidated financial statements. These new Standards and Interpretations are effective for accounting periods beginning on or after the dates shown below:

Standard	Description	Date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

The Company does not expect to apply IFRS 16 prior to its mandatory effective date. The adoption of IFRS 9 and IFRS 15 will not have a significant impact on the consolidated financial statements of the Company.

3. ACQUISITION OF SUBSIDIARIES

a) Tethyan Resources Serbia d.o.o Acquisition

On February 24, 2017 and April 3, 2017, the Company acquired the issued and outstanding shares of Tethyan Resources Serbia d.o.o and Global Mineral Resources d.o.o, respectively. These companies were incorporated in Serbia by Fabian Baker, the Company's current Chief Executive Officer who was the nominated owner of these entities, in order to establish a corporate presence in Serbia to explore opportunities within the region and ensure permits were applied for on a timely basis. Prior to the acquisition, the Company had provided funding to Tethyan Resources Serbia d.o.o and Global Mineral Resources d.o.o to finance the exploration activities on behalf of the Company. On acquisition, the Company expensed these advances, net of cash and certain tangible assets acquired, resulting in a loss on acquisition of £387,000.

b) Tethyan Resources Jersey Ltd Acquisition

In May 2016, the Company acquired all the issued shares of Tethyan Resources Jersey Ltd. (formerly Moroccan Minerals Ltd) whose primary asset was the Cadinje project,. The acquisition constituted an asset acquisition as Tethyan Resources Jersey Ltd, at the time of the acquisition, did not meet the definition of a business, as defined in IFRS 3 'Business Combinations'.

As consideration, the Company issued 2,106,959 ordinary shares of the Company. In addition, 17,593 warrants were issued with an exercise price of 20.88 pence per share. The consideration paid was allocated to the net assets and liabilities acquired with the excess allocated to the Cadinje project and included in net loss as loss on acquisition of subsidiaries.

Fair value of net assets of Tethyan Resources Jersey Ltd at acquisition date:		
Cash	£	37
Plant and equipment		5
Prepaid expenses		12
Amounts due from related parties		85
Accounts payable		(55)
Amounts due to Company		(137)
Net liabilities at acquisition		(53)
Consideration for acquisition:		
2,106,959 ordinary shares at £0.126 per share	£	264
Loss on asset acquisition		(317)

4. EXPLORATION AND EVALUATION EXPENDITURES

	Suva Ruda	Gokcanica	Other	Total
Opening balance, Jan 1, 2017	**£ -**	**£ -**	**£ -**	**£ -**
Geological Work	247	123	24	394
Geological Samples	58	-	-	58
Geological equipment	1	-	-	1
Geophysics	4	-	-	4
Geochemistry	190	-	-	190
Geological reports	2	-	-	2
Licenses	183	-	2	185
Ending balance, Dec 31, 2017	**£ 685**	**£ 123**	**£ 26**	**£ 834**

(a) Suva Ruda

In October 2016, Tethyan signed an option agreement with Deep Research d.o.o ("Deep Research"), a private Serbian company, that gives Tethyan the sole and exclusive right to acquire (the "Option") a license over the Suva Ruda Project in Serbia (the "License"). The License is located in Southern Serbia near the town of Raska, 170 km directly south of Belgrade and within the Raska Ore district. The License comprises one exploration permit with a surface area of 87 km^2. Under the terms of the option agreement, Tethyan is entitled to purchase 100% of the License or Deep Research (at Tethyan's discretion) for a cash payment of €6 million, plus an amount equal to a percentage of the eventual capital cost ("CAPEX") of building the mine (details set out below), at any time during the total duration of the License and any future extensions of the License (a minimum of 7 years from the date of the option agreement).

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

(a) Suva Ruda (continued)

The decision whether or not to exercise the Option during this period is at the sole discretion of the Company. However, at the time of exercise, the Company must be in compliance with certain work and payment milestones including:

1. Complete a minimum of 2000 meters of drilling before December 28, 2016 (completed);
2. Complete a minimum of 5000 meters of drilling before December 28, 2018;
3. Complete a preliminary economic assessment on or before the sixth anniversary date from the date of the option agreement;
4. Complete a feasibility study on or before the seventh anniversary date from the date of the option agreement;
5. Use reasonable efforts to apply for mining permits before the expiration of the licence
6. Make the following payments to shareholders of Deep Research:
   i) €0.1 million on or before March 31, 2017 (paid)
   ii) €0.1 million on or before first anniversary date of the option agreement (paid)
   iii) €0.1 million on or before second anniversary date of the option agreement
   iv) €0.1 million on or before third anniversary date of the option agreement

The amount payable by Tethyan equal to a percentage of the capital costs in relation to the building of the mine, will only become payable if Tethyan exercises the Option, secures the necessary financing and proceeds with the building of the mine. The percentage of these costs due will be calculated as follows:

1. 4% of CAPEX up to €200m;
2. 2% of CAPEX between €200 – 500m;
3. 1% of CAPEX in excess of €500m.

(b) Gokcanica

In May 2016, the Company executed a Joint Venture and Earn-in Agreement (the "Earn-in Agreement") with Rockstone Group LLC ("RSG") pursuant to which Tethyan can acquire up to an 80% interest in the Gokcanica project licenses in Southern Serbia ("the Gokcanica Permits). On execution of the agreement, the Company paid €0.01 million in cash and issued 194,444 common shares in connection with this agreement.

The Gokcanica Permits consist of two adjoining permits with a combined area of 110km² located in southern Serbia, 5 km to the north of the town of Josaniska Banja.

In order to earn an 80% interest in the Gokcanica project licences, the Company is required to complete the following:

(a) Stage 1:
In order to earn a 51% interest in the Gokcanica project licences, the Company must commit a minimum expenditure of USD$500,000 on an exploration program that will include a drilling of a minimum of 1,000m of either reverse circulation and/or diamond drilling within 2 years. This could include, but is not restricted to, mapping, trenching, rock-chip sampling, soil sampling, remote sensing, geophysics as well as other relevant items such as logistics and administration.

(b) Stage 2:
In order to earn a 70% interest in the Gokcanica project licences, in addition to the drilling commitment outlined above, the Company must complete a Pre-Feasibility Study ("PFS") within 5 years of entering into the Earn-in Agreement.

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

(c) Stage 3:

In order to earn an 80% interest in the Gokcanica Permits, in addition to the drilling commitment and PFS, the Company must complete a Bankable Feasibility Study ("BFS") within the time-frame of the exploration permits, their renewals or conversion to a mining permit.

On completion of stage 1, the Company and RSG will form a joint venture which will hold the project licences. The Company will initially have a 51% interest in the joint venture increasing to up to 80% as the above stages are completed. The Company is to fund all project costs until it earns 80% in the joint venture. Subsequently, costs will be shared on a pro-rata basis between the Company and RSG.

5. SHARE CAPITAL

Authorized capital

As at December 31, 2017, the Company's authorized share capital consists of 39,259,061 voting ordinary shares with a par value of £0.006 (0.6p) each, an unlimited number of Class A Deferred shares with a par value of £0.009 (0.9p) each and an unlimited number of Class B Deferred shares with a par value of £0.005 (0.5p) each.

The Class A and B Deferred Shares do not have any voting rights and holders are not entitled to receive dividends nor any other form of distribution other than a maximum of £0.009 (0.9p) per Class A deferred share and £0.005 (0.5p) per Class B deferred share on a return of capital on a winding up of the Company (provided the Company has sufficient cash after the holders of the Ordinary Shares have been paid an aggregate amount of the paid up capital thereon being 0.6 pence per share plus £10,000,000 for each Ordinary Share).

On each of July 20, 2016 and November 17, 2017, the Company consolidated its issued and outstanding ordinary share capital on the basis of six pre-consolidation ordinary shares for one new post-consolidation ordinary share (the "Consolidations"). All comparative references to the number of ordinary shares, weighted average number of ordinary shares and loss per share have been restated to reflect the Consolidations. As part of the July 20, 2016 consolidation, the Company issued 89,193,163 Class B Deferred Shares to existing shareholders for no consideration.

Issued capital

During the year ended December 31, 2017, the Company issued 3,703,704 ordinary shares at £0.27 per share in a private placement for net proceeds of £924,000 and 16,667 common shares on exercise of options for proceeds of £2,400.

During the nine months ended December 31, 2016, the Company issued 1,194,444 ordinary shares at £0.14 for net proceeds of £164,000.The Company also issued 9,266,667 ordinary shares at £0.15 per share in a private placement for net proceeds of £1,359,000, of which £1,096,000 was received in 2016 and £263,000 in 2017, and 194,444 ordinary shares pursuant to an earn-in agreement (note 4(b)) valued at £0.03 or £10,000, being the fair value at the time of issuance. The Company also issued 2,106,959 shares on acquisition of Tethyan Resources Jersey Ltd. at a price of £0.13 per share or £265,000.

During the year ended March 31, 2016, the Company issued 1,321,993 ordinary shares in a private placement at £0.15 per share for net proceeds of £208,000.

5. SHARE CAPITAL (continued)

Issued capital (continued)

The total issued and outstanding shares and the changes there in are as follows:

	Ordinary shares		Class A deferred shares		Class B deferred shares		Total Share capital	Share premium
	Number	£	Number	£	Number	£	£	£
Balance, March 31, 2015	10,242,183	369	368,716,729	3,318	-	-	3,687	25,271
Shares issued for cash in private placement	1,321,993	48	-	-	-	-	48	160
Balance, March 31, 2016	11,564,176	417	368,716,729	3,318	-	-	3,735	25,431
Shares issued for acquisition of subsidiary	2,106,959	75	-	-	-	-	75	189
Shares issued for cash in private placement	1,194,444	43	-	-	-	-	43	121
Balance pre-reorganization on July 20, 2016	14,865,579	535	368,716,729	3,318	-	-	3,853	25,741
Effect of share re-organization		(447)	-	-	89,193,163	447	-	-
Balance post-reorganization on July 20,2016	14,865,579	88	368,716,729	3,318	89,193,163	447	3,853	25,741
Shares issued pursuant to earn in agreement	194,444	1	-	-	-	-	1	1
Shares issued for cash in private placement	9,266,667	56	-	-	-	-	56	1,139
Balance, December 31, 2016	24,326,690	145	368,716,729	3,318	89,193,163	447	3,910	26,881
Shares issued for cash in private placement	3,703,704	22	-	-	-	-	22	902
Shares issued for cash on exercise of options	16,667	1	-	-	-	-	1	1
Balance, December 31, 2017	28,047,061	168	368,716,729	3,318	89,193,163	447	3,933	27,784

On July 20, 2016, the Company's ordinary shares were consolidated on a 6:1 basis. In order to retain the same total par value for the consolidated ordinary shares, every consolidated ordinary share was sub-divided into 1 ordinary share at a par value of £0.006 (0.6p) and one Class B Deferred share with a par value of £0.005 (0.5p). As a result, £447,000 was reclassified from ordinary share capital to the value of the Class B Deferred shares issued.

5. SHARE CAPITAL (continued)

Share options

Details of the number of ordinary share options outstanding and the weighted average exercise price (WAEP) are as follows:

	Number	WAEP Pence	Remaining weighted average Contractual life
Balance, April 1, 2015, March 31, 2016	**4,733,333**	**18.84**	**-**
Cancelled	(4,733,333)	18.84	-
Issued	1,850,000	25.20	2.33
Balance, December 31, 2016	**1,850,000**	**25.20**	**2.33**
Issued	1,120,000	17.61	4.93
Exercised	(16,667)	14.40	2.33
Expired	(333,333)	29.22	2.33
Balance, December 31, 2017	**2,620,000**	**21.25**	**3.51**

The 1,120,000 options issued during the year ended December 31, 2017 were issued with an exercise price of C$0.30 per share and have been converted at the year-end exchange rate for presentation purposes in the table above.

As at December 31, 2017, the total number of share options outstanding was as follows:

Exercise Period	Number	WAEP
Exercisable until 2019	966,667	30.00P
Exercisable until 2021	533,333	14.40P
Exercisable until 2022	1,120,000	C$0.30
	2,620,000	

The following weighted average assumptions were used for the Black-Scholes valuation of the stock options granted:

	Year ended December 31, 2017	Nine months ended December 31, 2016	Year ended March 31, 2016
Risk-free interest rate	1.28%	2.56%	2.56%
Expected life of options (in years)	5.0	3.6	4.5
Annualized volatility	75%	50%	50%
Share price	C$0.30	£ 0.02	£ 0.02
Fair value of options granted	C$0.18	£ 0.01	£ 0.01
Forfeiture rate and dividend rate	-	-	-

During the year ended December 31, 2017, the Company recorded a share-based compensation expense of £112,000 (Nine months ended December 31, 2016: £76,000; Year ended March 31, 2016: £29,000) in connection with the options granted.

Own Shares Held Reserve

As at December 31, 2017 and March 31, 2016, there are 222,222 shares outstanding which are owned on behalf of the Company and have not been cancelled. The carrying value of these shares of $71,000 is included in Own Shares Held Reserve in shareholders' equity.

5. SHARE CAPITAL (continued)

Share Warrants

As at December 31, 2017, the following warrants were issued and outstanding:

Exercise period	Number	Weighted average exercise price (pence)
Exercisable until October 4, 2018	17,593	20.88
Exercisable until December 12, 2019	390,250	13.20
	407,843	13.56

6. CONTINGENT LIABILITIES

Contingent deferred consideration, estimated at £120,000 related to the Company's acquisition of the Larchland Group in the year ended March 31, 2005 becomes payable to the vendors if either of the following events occur:

(a) the Company discovering a proven deposit of at least three million ounces of gold or gold equivalent at the Pu Sam Cap operation in Vietnam and such deposit having been proven to be capable of extraction by bulk-mining methods; or
(b) a bona fide takeover offer having been made for all of the issued share capital of the Company which values the Company at no less than £133,333,333.

In the event either of the above events occur, any liability would be settled by further payment in the form of a share issue equal to the lesser of:

(a) 925,926 Consideration Shares each issued at the market value at the date of issue; or
(b) such number of Consideration Shares as will be equal to 7.5% of the number of Ordinary Shares issued and outstanding at the market value at the issue date.

As the likelihood of these events occurring is presently considered remote, the deferred consideration has not been recognised as a liability.

7. RELATED PARTIES

Key management personnel compensation

Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	Year ended December 31, 2017	**Nine Months ended December 31, 2016**	**Year ended March 31, 2016,**
P Mullens	100	67	58
C Goss	9	14	22
F Baker	68	-	-
S Bullock	-	-	5
B Kay	-	-	10
D Fohlen	64	18	-
T Coughlin	-	-	14
S Thacker	11	-	-
G Kantarcigil	-	-	6
Martyn Keats	36	-	-
Share-based compensation	70	20	3
	358	119	118

Related party transactions

During the year ended December 31, 2017, the Company engaged the services of J. Proust & Associates Inc., a company controlled a director of both the Company and Southern Arc Minerals Inc. (“Southern Arc”), a company which owns 29.91% of the Company’s shares. During the year ended December 31, 2017, in addition to the amounts described in the key management personnel compensation table above, the Company paid £78,076 to J. Proust & Associates Inc. for finance, accounting and administrative services. As at December 31, 2017, a balance of £16,695 remains payable to J. Proust & Associates Inc.

On November 15, 2017, Southern Arc advanced C$400,000 to the Company pursuant to a convertible debenture financing. The convertible debenture bears interest annually at a rate of LIBOR plus 4% and has a maturity date of May 15, 2018. The convertible debenture is convertible at the option of Southern Arc, into securities of the Company at a share price to be determined by the share price of the Company’s next equity financing, provided that Southern Arc may not own more than 29.99% of the total issued and outstanding number of ordinary shares of the Company on completion of the financing and that the conversion price cannot be less than the market price of the Company’s shares on that date. As the conversion price was not fixed at the time of issuance, a conversion option was not recognized. Subsequent to December 31, 2017, Southern Arc agreed to covert the convertible debenture into units of the Company (Note 11(a)).

As described in note 3(a), the Company acquired two subsidiaries from the Company’s Chief Executive officer for no consideration.

The above transactions occurred during the normal course of operations and are recorded at the consideration established and agreed to by the related parties.

8. INCOME TAXES

Tax expense for the periods differs from that resulting from applying the standard rate of corporation tax in the United Kingdom to net loss before tax are as follows:

	Year ended December 31, 2017	Nine months ended December 31, 2016	Year ended March 31, 2016
Loss before income tax	(2,690)	(1,296)	(465)
Current tax rate	19%	20%	20%
	(511)	(259)	(93)
Effects of:			
Non-deductible expenses	85	-	1
Difference in tax rates	141	-	-
Losses for which no tax benefit has been recognized	285	259	92
Income tax expense	-	-	-

Deferred income tax assets have not been recognized for the following temporary differences:

	December 31, 2017	December 31, 2016	March 31, 2016
Cumulative tax losses	(6,834)	(5,326)	(5,858)
Current tax rate	19%	20%	20%
Unrecognized deferred tax asset at end of the year	(1,298)	(1,065)	(1,172)

The above unrecognized losses do not include losses of Serbian subsidiaries due to the relatively unsettled legal and tax codes in Serbia. Deferred tax assets carried forward have not been recognized in these financial statements due to the uncertainty of timing future taxable income against which they can be recovered. These losses expire in years ranging from 2036 to 2037.

9. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to liquidity risk and market risk, which may have a material effect on cash flows, profit or loss and comprehensive income (loss).

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high quality credit standing. The Company assess the collectability and fair value of this receivable at each reporting period. The Company's maximum exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is currently exposed to interest rate risk to the extent that the cash and cash and cash equivalents maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on the Company's cash and cash equivalents is not considered significant.

Fair value

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The Company does not currently have assets or liabilities that are measured at fair value on the balance sheet date. The carrying values of the Company's cash and cash equivalents. Trade and other receivables and accounts payable and accrued liabilities and the loan from related party approximate their fair values due to their short term to maturity.

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of unproven mineral properties, and to maintain a flexible capital structure. The Company considers items included in shareholders' equity as capital, which consists of shares issued to its parent company and deficit. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholder.

The Company currently does not earn any revenue and has relied on existing cash balances, related party loans and equity financing to fund its operations. The Company is currently not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management in the year ended December 31, 2017.

11. SUBSEQUENT EVENTS

a) On January 12, 2018, Dr. Michael Andrews, a director of the Company, loaned the Company £350,000 (approximately C$600,000) (the "Loan"). The Loan is non-interest bearing and matures on the earlier of 6 months or 5 days following the date on which the Company raises in excess of £1,000,000 by way of an equity or debt financing with a third party. On April 26, 2018, Dr. Michael Andrews agreed to settle the loan in consideration for 2,450,000 units of the Company on completion of the transaction described in Note 11(d). Southern Arc also agreed to settle its C$400,000 convertible debenture in consideration for 1,600,000 units of the Company on completion of the transaction described in Note 11(d). Each unit is to be comprised of one ordinary share and one-half of one share purchase warrant of the Company. Each whole warrant is to be exercisable into one ordinary share of the Company at an exercise price of C$0.35 per share for a period of three years The issuance of the units are subject to TSX Venture Exchange acceptance and shareholder approval.

b) Subsequent to December 31, 2017, the Company cancelled a total of 800,000 outstanding stock options granted in August 2016, exercisable at a price of 30.00 pence per share until August 2019. The Company granted a total of 711,666 new stock options to certain directors, consultants and employees of the Company, exercisable at a price of C$0.30 per share exercisable for a period of five years from the date of grant.

c) On April 24, 2018, the Company completed a non-brokered private placement of 5,213,500 units at a price of C$0.25 per unit for gross proceeds of C$1,303,375. Each unit is comprised of one ordinary share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable into one ordinary share of the Company at an exercise price of C$0.35 per share for a period of three years. The Company paid finders' fees of C$23,550 and issued 94,200 finders' warrants to certain finders exercisable at C$0.35 per share for a period of three years. All securities issued in connection with the private placement are subject to a statutory hold period expiring on August 21, 2018.

d) On March 20, 2018, the Company entered into a definitive share purchase agreement with Balkan Minerals Limited ("Balkan") and Dr. Radomir Vukcevic ("Dr. Vukcevic") to acquire all of the issued and outstanding shares of Balkan's wholly-owned Serbian subsidiary, Taor d.o.o. (the "Transaction"). Taor d.o.o holds two exploration licenses totaling approximately 100 square kilometres situated adjacent to the Suva Ruda license, which the Company has an option to acquire. Terms of the agreement are:

- Issue 7,000,000 ordinary shares of Tethyan and pay €125,000 in cash to Dr. Vukcevic on closing of the Transaction;
- Pay €125,000 in cash to Dr. Vukcevic within three months of closing of the Transaction; and
- Issue 5,000,000 ordinary shares of Tethyan to Dr. Vukcevic on the 12 month anniversary of closing of the Transaction.

All Tethyan shares issued pursuant to the Transaction will be subject to a statutory hold period of four months and one day following the date of issuance thereof. In addition, the two tranches of ordinary shares of Tethyan to be issued will be subject to lock-up period of twelve months following their issue to Dr. Vukcevic, during which these shares may not be transferred. On closing of the Transaction, Tethyan intends to appoint Dr. Vukcevic as a director of the Company and engage him as a consultant with the responsibility for overseeing the technical development of Tethyan's exploration projects. Dr. Vukcevic has agreed to provide Tethyan with a first right of refusal to acquire all mineral and mining opportunities which are or become known to him within Servia, Bulgaria, Kosovo, Macedonia, Albania and Romania.

The closing of the Transaction is subject to various conditions, including the completion by Tethyan of satisfactory due diligence and approval by the Company's shareholders and the TSX Venture Exchange.