

**TETHYAN RESOURCES PLC**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

*(Expressed in Great British Pounds)*

## TETHYAN RESOURCES PLC.

### Management's Discussion and Analysis

For the year ended December 31, 2017, nine months ended December 31, 2016 and year ended March 31, 2016

*This Management's Discussion and Analysis ("MD&A"), prepared as of April 30, 2018, should be read in conjunction with the audited annual consolidated financial statements of Tethyan Resources Plc., ("Tethyan" or the "Company") formerly Aurasian Minerals plc, for the year ended December 31, 2017, and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Great British Pounds ("GBP" or "£") unless otherwise indicated. Additional information on the Company's website at [www.tethyan-resources.com](http://www.tethyan-resources.com).*

*Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements.*

## COMPANY OVERVIEW

Tethyan Resources Plc ("Tethyan" or the "Company") is a publicly listed company listed on the Toronto Venture Exchange ("TSX.V") under the symbol "TETH". The Company is a junior mineral explorer of resource properties with a focus on gold and base metals. The Company initially listed on AIM as Triple Plate Junction Plc, in January 2004, and focussed on copper and gold projects located in South East Asia, more specifically Vietnam, Papua New Guinea and Indonesia. The Company traded under the name Triple Plate Junction Plc from January 2004 until it changed its name to Aurasian Minerals Plc on May 13, 2014. Subsequently, the Company changed its name from Aurasian Minerals Plc to Tethyan Resources Plc on July 20, 2016.

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. On November 9, 2017, Tethyan delisted its shares from trading on the London AIM market and now trades solely on the TSX.V.

Currently, Tethyan is an active explorer for gold and base metals within Eastern Europe, more specifically Serbia, Kosovo and Bulgaria. The Company has two active exploration projects in Serbia, the "Suva Ruda" project (a copper and gold porphyry target) and "Gokcanica" project (an epithermal and porphyry gold system).

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company conducts its activities through wholly-owned subsidiaries, limited liability companies, partnerships and joint ventures.

## FINANCIAL SNAPSHOT

	December 31, 2017	December 31, 2016	March 31, 2016
	(£,000)	(£,000)	(£,000)
Total assets	£ 218	£ 1,671	£ 1,030
Working capital	(376)	1,015	964
Net loss	(2,690)	(1,296)	(465)
Basic and diluted loss per share (in pence)	(9.90)	(11.21)	(4.02)

At the date of this MD&A, Tethyan had approximately £45,000 in working capital.

## RECENT EVENTS

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 comprises of one ordinary share and one-half of one transferable 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. All securities issued in connection with the private placement are subject to a statutory hold period expiring on August 21, 2018.

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On March 20, 2018, the Company announced that it has 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"). 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 Serbia, 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 from the Company's shareholders and the TSX Venture Exchange.

On January 3, 2018, the Company cancelled a total of 800,000 outstanding stock options granted in August 2016, exercisable at a price of 30.00 pence (C\$0.50) 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 for a period of five years from the date of grant.

On January 12, 2018, the Company agreed to the terms of a loan from Dr. Michael Andrews, a director of the Company, for £350,000 (approximately C\$600,000) (the "Loan"). The Loan bears interest and has a maturity date of the earlier of July 12, 2018 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. Each unit is to be comprised of one ordinary share and one-half of one transferable 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 TSX Venture Exchange acceptance and shareholder approval.

On November 15, 2017, the Company received an advance of C\$400,000 from Southern Arc Minerals Inc. to the Company pursuant to a convertible debenture financing (the "Convertible Debenture"). The Convertible Debenture will bear interest annually at a rate of LIBOR plus 4% and has a maturity date of May 15, 2018. The Convertible Debenture is convertible into securities of the Company on the same terms as the Company's equity financing disclosed above, provided that Southern Arc Mineral Inc. will not own more than 29.99% of the total issued and outstanding number of ordinary shares of the Company on completion of the conversion and that the Conversion Price cannot be less than the Market Price. On April 26, 2018, Southern Arc Minerals Inc. agreed to settle the Convertible Debenture in consideration for 1,600,000 units of the Company on completion of the Transaction.

On November 17, 2017, the Company consolidated its issued and outstanding share capital on the basis of six pre-consolidation ordinary shares for one new post-consolidation ordinary share (the "Consolidation"). The resulting number of shares outstanding post-consolidation is 28,047,061. All comparative references to the number of ordinary shares, weighted average number of ordinary shares and loss per share have been restated for the effect of the Consolidation.

On August 25, 2017 the Company announced that Fabian Baker was appointed to the board of the Company with immediate effect. On November 2, 2017 the Company subsequently announced that Fabian Baker has been appointed President and Chief Executive Officer of the Company. Fabian Baker was the Company's Chief Operating Officer since May 31, 2016. Peter Mullens has stepped down as Chief Executive Officer and the Board has confirmed his new position as Executive Director and Senior Vice President Exploration and Development. On October 31, 2017, the Company announced that Didier Fohlen, former Executive Director, had stepped down from the Board.

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On September 26, 2017, the Company announced that it had completed a major Geophysical Survey over the Rudnitza porphyry project, located within the Suva Ruda joint venture located in Western Serbia. Interpretation of the data collected by the survey at Rudnitza was announced on November 2, 2017, the results indicated a significant exploration target at the Rudnitza porphyry.

The surveys were conducted by the Canadian company Quantec Geoscience, a world leader in the field, using their proprietary 'TITAN 24' system. TITAN 24 is an advanced system that collects two separate geophysical surveys, Induced Polarisation ("IP") as well as Magnetotelluric ("MT"). The advantages of the TITAN 24 system over more traditional IP techniques is that the survey generates data to greater depths (up to 1,500 metres depth), and with improved resolution at shallower depths.

The method is well tested on porphyry systems worldwide; the aim of the surveys was to gain indications of where different lithologies, alteration styles and concentrations of mineralisation might occur. The data will be used to better understand and identify extensions to the areas which Tethyan has already drilled, and locate new targets for future drilling.

At the Suva Ruda Project, the survey consisted of ten survey lines, each 2.4 kilometres long and 200 metres apart, covering the entire Rudnitza porphyry system where the Company had completed eight drill holes to date. At the Gokcanica Project, five survey lines were measured, each 400 metres apart, over a mountain ridge where stream sediment and soil geochemistry indicated elevated levels of gold, copper and other elements regarded as indicative of porphyry-type mineralisation.

In preparation for the surveys, the Company was successful in gaining land access permissions to hundreds of small agricultural land plots, and from the municipal road and rail authorities as well as the local military and police forces. This was the result of a significant and long-term programme of community and government engagement, led by Tethyan's dedicated Land and Community Officer, Mr Marko Miletic.

On September 14, 2017, the Company announced its results of new drill holes at Rudnitza Copper-Gold Prospect, Serbia. This drill program consisted of 4 diamond drill holes for a total of 2,127.6 metres.

Highlight intersections from these drill holes include:

**Drill hole RDD-006 460 m @ 0.21% copper and 0.20 g/t gold from surface**  
(including 20 m @ 1.04 % copper and 0.20 g/t gold from 92 m)

and

**Drill hole RDD-005 260 m @ 0.22% copper and 0.20 g/t gold from 6 m**  
(including 12 m @ 0.78% copper and 0.13 g/t gold from 116 m)

Assay results details are provided in Table 1 below:

Drill Hole ID	Easting	Northing	Elevation (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Length (m)	Copper Grade (%)	Gold Grade (g/t)
RDD-005	473,890	4,787,657	596	-65	30	535.7	6	266	260	0.22	0.20
							116	128	12	0.78	0.13
							366	535.7	169.7	-	0.15
RDD-006	474,020	4,787,640	622	-80	325	500.6	0	460	460	0.21	0.20
							92	112	20	1.04	0.20
RDD-007	473,816	4,787,670	577	-60	140	611.6	0	572	572	0.11	0.16
							106	186	80	0.30	0.16
RDD-008	474,039	4,787,804	579	60	210	479.7	138	479.7	341.7	0.17	0.24

Table: Summary of significant drill hole intersections (Coordinates are WGS84 UTM Zone 34).

On September 6, 2017, the Company commenced the trading of its ordinary shares on the TSX-V, under the symbol "TETH". and delisted its shares from the AIM market on the London Stock Exchange.

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On April 25, 2017, Tethyan Resources announced that it had commenced drilling at the Rudnitsa porphyry prospect, within the Suva Ruda Project. The drilling was conducted by local contractor Drillex International d.o.o. On July 3<sup>rd</sup>, 2017, Tethyan announced the completion of this drilling, having drilled 2,127.6 metres in four drill holes.

On March 28, 2017, Tethyan announced that it has successfully raised £1,000,000 before expenses from the issue of 3,703,704 new ordinary shares of 0.6 pence each in the capital of the Company ("Placing Shares") at a placing price of 27.0 pence per share ("the Placing"). The Placing was supported by both new and existing investors, including Southern Arc Minerals Inc. ("Southern Arc") and a number of the Directors and senior management at Tethyan, further details of which are set out below. The net proceeds of the Placing attributable to the Company (being approximately £950,000 after fees and expenses) are being used for its planned drilling programmes at the Company's Suva Ruda project and general working capital requirements. As at December 31, 2017, the total number of ordinary shares in issue was 28,047,061. The Company does not hold any ordinary shares in treasury.

On February 28, 2017, the Company confirmed that it made the first Milestone Payment of €100,000 to Deep Research d.o.o. ("Deep Research", a private Serbian company) in order to retain its option to purchase 100% of the Suva Ruda Project.

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. 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.

In January 2017, the Company completed 4 diamond drill holes for a total of 2,318 meters on the Rudnitsa copper-gold porphyry prospect within the Suva Ruda exploration permit located in Serbia.

On November 21, 2016, the Company announced that Southern Arc Minerals Inc. ("Southern Arc"), a TSX-Venture Exchange listed company, had subscribed for 2,750,000 new ordinary shares in the Company at a price of CAD\$0.216 per share, representing approximately 15.44% of the enlarged issued share capital of the Company ("the Southern Arc Subscription"). The Southern Arc Subscription raised CAD\$594,000 (or approximately £353,570) before expenses, for the Company to further advance the Suva Ruda and Gokcanica projects in the Republic of Serbia. In addition, Southern Arc purchased 2,442,328 ordinary shares in the Company from Newmont Ventures Limited ("Newmont Acquisition") as part of becoming a strategic investor in the Company. The Newmont Acquisition, taken together with the 2,750,000 new ordinary shares acquired in the Southern Arc Subscription, represented approximately 29.15% of the then issued share capital of the Company. As part of the Southern Arc Subscription, the Board resolved to appoint John Proust and Michael Andrews to the Board. In addition, the Company agreed to:

- grant Southern Arc a first right of refusal on a sufficient share of any further fundraisings undertaken by the Company for a period of 2 years to enable it to increase its holdings to, and maintain its interest at 29.9% of the issued share capital of the Company; and
- use its commercially reasonable efforts to seek a listing on the TSX Venture Exchange as soon as reasonable practicable following completion of the Southern Arc Subscription.

On November 22, 2016, as part of a placing to raise approximately £852,380 for which shareholder approval was sought and obtained, Southern Arc subscribed for an additional 2,083,333 new ordinary shares of the Company at a price of CAD\$0.216 per share, as a result of which, Southern Arc then held a total of 7,275,661 shares of Tethyan representing approximately 29.9% of Tethyan's issued ordinary share capital.

On October 6, 2016, the Company announced that it had decided to pull out of the joint venture with Balkan Mineral Corporations d.o.o. in relation to the Cadinje polymetallic project located in Serbia. The Company incurred no penalties in regard to this decision and will have no further liabilities related to the project. Recent drilling results did not improve on historical assays from the area and gold assays were low. The Company's technical personnel were of the opinion that the potential to increase the known size of the mineralized resource is limited.

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## **PROPERTY REVIEW AND OUTLOOK**

### **Suva Ruda, Serbia**

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 (30,000 inhabitants), 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<sup>2</sup>. 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 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).

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:

- (a) Complete a minimum of 2000 meters of drilling before December 28, 2016 (completed);
- (b) Complete a minimum of 5000 meters of drilling before December 28, 2018;
- (c) Complete a preliminary economic assessment on or before the sixth anniversary date from the date of the option agreement;
- (d) Complete a feasibility study on or before the seventh anniversary date from the date of the option agreement;
- (e) Use reasonable efforts to apply for mining permits before the expiration of the licence
- (f) 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 percentage of the capital costs payable by Tethyan 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 to Deep Research will be calculated as follows:

- (a) 4% of CAPEX up to €200m;
- (b) 2% of CAPEX between €200 – 500m;
- (c) 1% of CAPEX in excess of €500m.

### Suva Ruda Work Program

In 2016 Tethyan Resources completed first-pass geological mapping and the collection of 223 soil samples over the Rudnitsa copper-gold porphyry prospect located on its Suva Ruda Project. Detailed soil sampling was completed on 50 meter sample spacing and 200 meter line spacing over the central portion of Rudnitsa. This sampling defined a coincident copper, gold and molybdenum anomaly in soils over a 1200 meter by up to 600 meter area, with a maximum molybdenum sample value of 59 ppm. Molybdenum is a good indicator for porphyry mineralization as it is not generally mobile in the weathering environment. These results combined with geological mapping defined two compelling target areas, a southern zone of outcropping quartz stockwork with dimensions of 600 meters by 500 meters which was previously drilled to shallow depths by Phelps Dodge in 2004, and a northern zone with dimensions of 700 meters by 300 meters which is a significant new target generated by this soil sampling program that has not been drill tested before.

The copper and molybdenum soil anomaly, hosted in phyllic-altered andesitic and dacite porphyry stocks, is surrounded by a broad zinc anomaly greater than 200 ppm which is recognized as a typical geochemical zonation feature seen in many porphyry systems worldwide.

The Company completed 4 diamond drill holes for a total of 2,318 meters on the Rudnitsa copper-gold porphyry prospect within the Suva Ruda exploration permit located in Serbia in December 2016, and a further 2,128 metres in September 2017.

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The drilling programs, which were operated by contractor Drillex International, successfully achieved the Company's objectives through consistent drilling rates and positive local community support.

In accordance with the requirements of the Option Agreement between Tethyan and Deep Research d.o.o. over the Suva Ruda Project, Tethyan successfully met the requirement to drill 2,000 meters prior to the December 28, 2016 in order for the Option Agreement to remain in effect. Furthermore, it meets the exploration program requirements set out for the Suva Ruda License granted by the Serbian Government.

#### Results from Drilling Suva Ruda

Tethyan's geologists logged all drill core and prepared and sent the drill core for third party analysis to ALS Global's preparation laboratory located in Bor, Serbia. Assaying is being completed at ALS Global's laboratory located in Romania. Additionally, Tethyan is immediately rehabilitating the drilling sites and access roads in accordance with the Company's commitment to sustainable operation.

In its first drill hole RDD-001, Tethyan drilled 567 metres at 0.28% copper and 0.45 g/t gold from surface. Detailed results of the eight drill holes are shown in the table below:

Drill Hole ID	Easting	Northing	Elevation (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Length (m)	Copper Grade (%)	Gold Grade (g/t)
RDD-001	473,927	4,787,653	604	-85	136	584.6	0	567	567	0.28	0.45
							122	158	36	1.22	0.38
RDD-002	474,022	4,787,637	622	-76	165	461.8	6	74	68	0.11	0.23
							98	320	222	0.24	0.27
							354	440	86	0.16	0.30
RDD-003	473,873	4,787,734	581	-60	140	710	42	327	285	0.31	0.33
							102	118.7	16.7	1.55	0.20
							657	695	38	0.14	0.27
RDD-004	474,005	4,787,752	592	-60	210	558.6	48	404	356	0.38	0.31
							102	132	30	1.45	0.39
							476	502	26	0.12	0.19
RDD-005	473,890	4,787,657	596	-65	30	535.7	6	266	260	0.22	0.20
							116	128	12	0.78	0.13
							366	535.7	169.7	-	0.15
RDD-006	474,020	4,787,640	622	-80	325	500.6	0	460	460	0.21	0.20
							92	112	20	1.04	0.20
RDD-007	473,816	4,787,670	577	-60	140	611.6	0	572	572	0.11	0.16
							106	186	80	0.30	0.16
RDD-008	474,039	4,787,804	579	-60	210	479.7	138	479.7	341.7	0.17	0.24

Table: Summary of significant drill hole intersections (Coordinates are WGS84 UTM Zone 34).

These drill holes significantly expanded the footprint of copper-gold porphyry-style mineralization at Tethyan's Rudnitsa prospect. All drill holes intersected a thick package of dacitic volcanic rocks showing strong phyllic and propylitic alteration with extensive zones of thin (2-20mm) quartz-pyrite±chalcopyrite±chalcocite veining and stockwork.

Supergene enrichment has produced a higher-grade chalcocite rich copper zone observed in three of the drill holes that is in excess of 1 % copper. Drill Hole RDD-004 intersected 30 metres at 1.45 % copper, 0.39 g/t gold from 102 metres. Copper

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grades are generally seen to be lower in the leached zone above this supergene zone however gold mineralisation was encountered from surface. Beneath the supergene zone gold and copper grades are generally consistent over large intervals exceeding 200 metres.

Tethyan has completed a ground magnetics survey and an extensive induced polarization (IP) geophysical survey over this area to target further drilling. The IP survey was conducted by the Canadian company Quantec Geoscience, a world leader in the field, using their proprietary 'TITAN 24' system. TITAN 24 is an advanced system that collects two separate geophysical surveys, Induced Polarisation ("IP") as well as Magnetotelluric ("MT"). The advantages of the TITAN 24 system over more traditional IP techniques is that the survey generates data to greater depths (up to 1,500 metres depth), and with improved resolution at shallower depths.

The method is well tested on porphyry systems worldwide; the aim of the surveys was to gain indications of where different lithologies, alteration styles and concentrations of mineralization might occur. The data will be used to better understand and identify extensions to the areas which Tethyan has already drilled, and locate new targets for future drilling.

At the Suva Ruda Project, the survey consisted of ten survey lines, each 2.4 kilometres long and 200 metres apart, covering the entire Rudnitsa porphyry system where Tethyan have completed eight drill holes to date.

In preparation for the surveys, Tethyan was successful in gaining land access permissions to hundreds of small agricultural land plots, and from the municipal road and rail authorities as well as the local military and police forces. This was the result of a significant and long-term program of community and government engagement, led by Tethyan's dedicated Land and Community Officer, Mr Marko Miletic.

### **Gokcanica, Serbia**

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 110km<sup>2</sup> located in southern Serbia, 5 km to the north of the town Josaniska Banja. The area is located within the 500 km<sup>2</sup> Rashka ore field.

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.

(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 expected 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.



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#### Gokcanica Work Program

An ongoing work program has been undertaken on the Gokcanica Joint Venture over the field season of 2017. This work consists of geological mapping, soil geochemistry with both stream sediment sampling and soil sampling and as part of the Quantec TITAN geophysical survey over the Suva Ruda project, Tethyan also completed a smaller geophysical project over the Gokcanica Project. At the Gokcanica Project, five survey lines were measured, each 400 metres apart, over a mountain ridge where stream sediment and soil geochemistry indicated elevated levels of gold, copper and other elements regarded as indicative of porphyry-type mineralization. Interpretation of results from this program and other soil sampling work is expected in 2018 which will allow selection of drill targets and diamond drilling.

#### SUMMARY OF QUARTERLY RESULTS

As at and for the three months ended	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	(£,000)	(£,000)	(£,000)	(£,000)
Total assets	£ 218	£ 1,162	£ 1,603	£ 1,910
Exploration properties	-	497	245	-
Total non-current liabilities	-	-	-	-
Working capital	(376)	348	910	1,584
Net loss	(1,251)	(315)	(523)	(601)
Basic and diluted loss per share (in pence)	(4.60)	(1.11)	(1.95)	(2.40)

As at and for the three months ended	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	(£,000)	(£,000)	(£,000)	(£,000)
Total assets	£ 1,671	£ 1,374	£1,457	£97
Working capital (deficiency)	1,015	1,335	910	(92)
Net loss	(587)	(268)	(346)	(95)
Basic and diluted loss per share (in pence)	(6.26)	(2.01)	(2.99)	(4.92)

The Company did not generate any revenues and did not declare any dividends.

#### RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

During the three-month period ended December 31, 2017, the Company had a net loss of £1,251,000 compared to a loss of £587,000 for the three-month period ended December 31, 2016. Significant fluctuations occurred in the following categories:

- During the three-month period ended December 31, 2017, the Company recorded exploration and evaluation expenditures of £337,000 related to expenditures related to exploration activities within the Suva Ruda region.
- During the three month quarter, the Company recorded an impairment in tax receivable totaling £56,000 due to uncertainties relating to the Company's ability to collect.

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#### **RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

During the twelve month period ended December 31, 2017, the Company had a net loss of £2,690,000 compared to a loss of £1,296,000 for the nine-month period ended December 31, 2016. Significant fluctuations occurred in the following categories:

- The Company recorded exploration and evaluation expenditures of £834,000 compared to £94,000 during the prior period in 2016. The increase in exploration and evaluation expenditures related to costs incurred on the Suva Ruda project. Increases in professional fees of £279,000 (2016 - £210,000), salaries and director fees totaling £337,000 (2016 - £284,000) and consulting fees of £293,000 (2016 - £123,000) were all due to the increase in activity within the Company related to the process of listing on the TSX-V and its exploration program in the Suva Ruda region compared to the previous period.
- The Company recorded share-based compensation of £112,000 relating to stock options granted during the year.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash position at December 31, 2017 was £57,000. As at December 31, 2017, the Company's working capital deficiency was £376,000 compared to a working capital of £1,015,000 as at December 31, 2016.

Net cash used in operating activities for the period ended December 31, 2017, was (£2,281,000) compared to net cash used of (£595,000) during the prior period ended December 31, 2016. The cash used in operating activities reflects the increased corporate and exploration activities during the quarter.

Net cash used in investing activities during the period ended December 31 2017 included expenditures of £42,000 to property and equipment compared to an investment in a subsidiaries of £540,000 in the previous period ended December 31, 2016. The prior investments were for exploration projects of which the Company did not pursue at the end of 2016.

Financing activities during the period ended December 31, 2017 included net proceeds of £926,000 received from a private placement completed during the period and the exercise of options, £263,000 received in relation to private placement during the period ended December 31, 2016, as well as £238,000 received in loan from a related party.

The 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 significant 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. 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. 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. The conditions result in material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The 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.

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## RELATED PARTY TRANSACTIONS

### Key management personnel compensation

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

	Year ended December 31, 2017	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

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 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.

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. 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.

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

## CURRENT SHARE DATA

As at the date of this MD&A, the Company had 33,260,561 ordinary shares in issue.

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As at the date of this MD&A, the Company had share options outstanding as follows:

<b>Exercise Period</b>	<b>Number</b>	<b>WAEP</b>
Exercisable until 2019	166,667	30.00p
Exercisable until 2021	533,333	14.40p
Exercisable until 2022	1,831,666	C\$0.30
	2,531,666	

As at the date of this MD&A, the Company had share purchase warrants outstanding as follows:

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

## RISKS AND UNCERTAINTIES

The nature of the Company's operations exposes the Company to credit risk, foreign currency risk, liquidity risk, and geopolitical risk, which may have a material effect on cash flows, operations and comprehensive income.

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 such as accounts payable and accrued 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.

**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 cash equivalents 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 bank balances and trade and other receivables.

**Geopolitical risk** is the risk relating to the region related to the Company's projects. To date, all of the Company's properties and operations have been located in Eastern Europe. As such, the Company is subject to political, economic and other uncertainties, including, but not limited to, changes in policies and regulations or the personnel administering them, changes with regard to foreign ownership of property rights, exchange controls and royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are to be conducted, as well as risks of loss due to civil strife, acts of war and insurrections. If a dispute arises regarding the Company's property interests, the Company cannot rely on western legal standards in defending or advancing its interests.

**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 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.

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#### **Other factors**

##### **Industry**

The Company is engaged in the acquisition and exploration of resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically mineable deposits. The focus of the Company is on areas in which the geological setting is well understood by management.

##### **Gold and metal prices**

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the US\$ with other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products for which the Company may explore all have the same or similar price risk factors.

##### **Trends**

Continued strength in the US dollar, decreasing oil prices and the stable gold price increases demand, especially from Asia, and perception of increased risk in major financial markets has supported a discernible need for the development of commodity exploration projects. Junior companies, like Tethyan, are key participants in identifying properties of merit to explore and develop.

#### **CRITICAL ACCOUNTING POLICIES**

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

##### **Significant accounting judgment and estimates**

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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, relate to, but are not limited to the following:

- 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.
- 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.

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.

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- 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 expenditure 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.

#### 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 in 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.

#### Fair value

International Financial Reporting Standards ("IFRS") require disclosure about fair market 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 carrying value of cash and cash equivalents, receivable, accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

#### 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:

<b>Standard</b>	<b>Description</b>	<b>Date</b>
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.

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#### **QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE**

*The technical information in this document has been reviewed by Peter Mullens, Tethyan's Senior Vice-President Exploration and Development, FAusIMM who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101.*

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those 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 not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted.*

*With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:*

- uncertainties relating to receiving mining, exploration and other permits in Serbia;*
- the impact of increasing competition;*
- unpredictable changes to the market prices for gold, copper and other commodities;*
- availability of additional financing and farm-in or joint-venture partners;*
- anticipated results of exploration and development activities;*
- the Company's ability to sell the securities in its investments for a profit, or at all;*
- the Company's ability to obtain additional financing on satisfactory terms or at all.*

*The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: volatility in the market price for minerals; uncertainties associated with estimating resources; geological, technical, drilling and processing problems; liabilities and risks, including environmental liabilities and risks, inherent in mineral and oil and gas operations; fluctuations in currencies and interest rates; incorrect assessments of the value of acquisitions; unanticipated results of exploration activities; competition for, amongst other things, capital, undeveloped lands and skilled personnel; lack of availability of additional financing and farm-in or joint venture partners and unpredictable weather conditions. Although the Company has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing lists of factors are not exhaustive. Forward looking statements are made as of the date hereof and accordingly are subject to change after such date. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.*