

TETHYAN RESOURCES PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Great British Pounds)

TETHYAN RESOURCES PLC.
Management’s Discussion and Analysis
For the years ended December 31, 2018 and 2017

This Management’s Discussion and Analysis (“MD&A”), prepared as of April 12, 2019, should be read in conjunction with the audited consolidated interim financial statements of Tethyan Resources Plc., (“Tethyan” or the “Company”), for the year ended December 31, 2018, 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.

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 TSX Venture Exchange (“TSX.V”) under the symbol “TETH”. The Company is a junior mineral explorer with a focus on gold and base metals.

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. The Company’s flagship exploration projects are located in the Raška Municipality of Southern Serbia, and include the “Rudnica” project (a copper and gold porphyry target), and the “Kizevak” project (a silver-zinc-lead vein-type target). The company also has early-stage ‘grassroots’ exploration projects including the “Bucje” and “Zukovac” projects in Eastern Serbia and the “Cernac” and “Bistrice” projects in Kosovo.

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, 2018	December 31, 2017	December 31, 2016
	(£,000)	(£,000)	(£,000)
Total assets	£ 1,824	£ 218	£ 1,671
Working capital	(516)	(376)	1,015
Net loss	(2,020)	(2,690)	(1,296)
Basic and diluted loss per share (£)	(0.05)	(0.10)	(0.11)

RECENT EVENTS

On March 28, 2019, the Company announced an underwritten private placement of 6,250,000 ordinary shares of the Company at a price of C\$0.80 per ordinary share, for aggregate gross proceeds of C\$5,000,000. This placement is expected to close around April 17, 2019.

On March 7, 2019, the Company appointed Edward Boney as the Chief Financial Officer, and Jacqueline Allison as Vice President, Investor Relations and Strategic Analysis of the Company.

On January 31, 2019, the Company closed a non-brokered private placement which has resulted in the issuance of 16,580,000 units at a price of C\$0.20 per unit, for aggregate gross proceeds of C\$3,316,000. In connection with the placement, the Company issued 700,000 finders’ units. Each unit is comprised of one ordinary share and one transferable share purchase warrant of the Company. Each warrant is exercisable into one ordinary share of the Company at an exercise price of C\$0.25 per share for a period of five years from the closing date of the private placement. As part of the private placement, Augusta Investments Inc. (“Augusta”), a private company beneficially owned by Richard Warke, subscribed for 11,500,000 units, representing

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approximately 16% of the issued and outstanding ordinary shares of Tethyan on a post-closing basis. Subject to the terms of an investor rights agreement between Augusta and the Company, Augusta has been granted certain rights including anti-dilution rights, allowing it to maintain its equity ownership interest in Tethyan. All securities issued in connection with the private placement are subject to a statutory hold period expiring on May 31, 2019. In connection with the closing of the private placement and following the resignation of John Proust and John Carlile from the board of directors, the Company appointed Richard Warke as the Executive Chairman, Donald Taylor as a Non-Executive Director. Jerrold Annett has been appointed Director and Chief Executive Officer, Fabian Baker has been appointed President and Chief Operating Officer, and Susy Horna has been appointed Corporate Secretary of the Company with the closing of the private placement.

On October 10, 2018, the Company announced that it had submitted two composite samples from the Kizevak project for metallurgical test work at the Mining and Metallurgy Institute, Bor, Serbia (MMI). The test work was aimed at providing preliminary data from which more detailed optimisation test work can be designed, and to give a basic indication of the grade-recovery curves for zinc, lead and silver. Samples were selected from the two main styles of mineralisation identified to date; massive sulphide vein breccias and fracture fill mineralisation, and were collected from quarter-cut diamond drill core. The samples were numbered as composite 01 (Massive Sulphide) and Composite 02 (Fracture Fill), weighing 39 and 28 kg, respectively.

On September 24, 2018, the Company announced that it had contracted Terratec Geophysical Services GmbH ("Terratec") to conduct a Time Domain Induced Polarization (TDIP) geophysical survey on the Kizevak zinc-lead silver project. The Company also completed a trenching and channel sampling program in the same area for approximately 400 metres, and acquired its own magnetometer and base station to be used to conduct ground magnetic surveys over priority exploration targets.

On September 13, 2018, the Company announced that it had commenced a drill program at the Rudnica copper-gold porphyry project, to include approximately 2,000 metres of diamond drilling.

On September 4, 2018, the Company announced results from its initial diamond drill program at the Kizevak zinc-lead-silver project in Southwest Serbia, which returned broad zones of polymetallic vein and breccia type mineralization in all holes with highlights including:

- 12.0 m @ 22.03 % zinc, 10.29 % lead, 167 g/t silver and 0.18 g/t gold for 35.09 % ZnEq (Hole KSEDD002, from 130 m)
- 43.0 m @ 4.30 % zinc, 2.49 % lead, 26 g/t silver and 0.21 g/t gold for 7.39 % ZnEq (Hole KSEDD001, from 193 m)
 - including 13.1 m @ 11.28 % zinc, 5.05 % lead, 57 g/t silver and 0.32 g/t gold for 17.44 % ZnEq (from 221 m)
- 40.0 m @ 4.35 % zinc, 2.14 % lead, 27 g/t silver and 0.34 g/t gold for 7.37 % ZnEq (Hole KSEDD003, from 137 m)
- 22.2 m @ 2.95 % zinc, 2.41 % lead, 41 g/t silver and 0.18 g/t gold for 6.23 % ZnEq (Hole KSEDD003, from 160 m)

Holes were drilled on two sections 80 m apart with a spacing of 40 m between the holes. All holes intercepted significant mineralisation between 85 and 190 m below surface, and mineralisation remains open in all directions. For more information, see the Company's press release on September 4, 2018 on the Company's website.

On August 22, 2018, the Company announced the completion of its first drill program at the recently acquired Kizevak zinc-lead silver project in Serbia. The Kizevak project is situated on an exploration license held by Tethyan's Serbian subsidiary Taor d.o.o. ("Taor") and is located 1km southeast along strike from a past-producing open pit zinc-lead mine. The drill programme consisted of 4 diamond drill holes for a total of 957.3 metres and was designed to test for extensions of mineralisation along-strike from the historic mine. The drill target is defined by a strong zinc-lead-silver soil anomaly (500 by 260m) coincident with small-scale pits and excavations containing galena and sphalerite mineralised float. All drill samples have been submitted for preparation at ALS Bor, Serbia, and analysis at ALS Loughrea, Ireland (multi-element oxidizing digestion with ICP-MS finish, code ME-ICPORE) and ALS Rosia Montana, Romania (30g fire assay, code Au-AA23).

On August 22, 2018, the Company issued an additional 100,000 options to officers, directors and consultants at a price of C\$0.25 per option with an expiry of three years.

On August 17, 2018, the Company completed a non-brokered private placement for gross proceeds of C\$1,500,000. The private placement consisted of 6,000,000 units at a price of C\$0.25 per unit. Each unit was comprised 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 from the closing date of the private placement.

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Dr. Michael Andrews, a director of the Company, purchased 908,000 units and invested C\$277,000 under the private placement. The Company also issued 1,575,000 options to officers, directors and consultants. The options are exercisable at C\$0.25 per share and are valid for a period of three years.

On June 29, 2018, the Company closed the acquisition with Dr. Radomir Vukcevic ("Dr. Vukcevic") of all of the issued and outstanding shares of a Serbian company, Taor (the "Transaction"). Taor 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 were subject to a statutory hold period of four months and one day following the date of issuance. In addition, the two tranches of ordinary shares of Tethyan are subject to a lock-up period of twelve months following their issue to Dr. Vukcevic, during which these shares may not be transferred. Upon closing of the Transaction, Tethyan appointed Dr. Vukcevic as a director of the Company and engaged him as a consultant with the responsibility for overseeing the technical development of Tethyan's exploration projects. Dr. Vukcevic 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.

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 June 29, 2018, Dr. Michael Andrews settled the loan in consideration for 2,450,000 units of the Company on completion of the transaction described in Note 3a. Southern Arc also settled its C\$400,000 convertible debenture in consideration for 1,600,000 units of the Company. Each unit was 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 total warrants issued for the loan conversions was 4,050,000. The issuance of the units were subject to a statutory hold period of four months and one day following the date of issuance.

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 comprised 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 which expired on August 21, 2018.

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 November 15, 2017, Southern Arc advanced C\$400,000 to the Company pursuant to a convertible debenture financing. The convertible debenture accrued interest annually at a rate of LIBOR plus 4% and had 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.

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PROPERTY REVIEW AND OUTLOOK

Suva Ruda, Serbia

In September 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”) the Suva Ruda exploration license 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 km². 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 (completed);
 - (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 license
 - (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 (paid)
 - iv) €0.1 million on or before third anniversary date of the option agreement
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- (a) The amount payable by Tethyan with respect to CAPEX post exercise of the option to acquire the License will be calculated as follows: 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 Rudnica copper-gold porphyry project located on the Suva Ruda license. Detailed soil sampling was completed on 50 meter sample spacing and 200 meter line spacing over the central portion of Rudnica. This sampling defined a coincident copper, gold and molybdenum anomaly in soils over a 1200 meter by up to 600 meter area. 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 named Rudnica, 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 named Rudnica North. Further soil sampling in 2017 has identified the Kremice copper-gold porphyry target located in the northern part of the Suva Ruda exploration license, 10 kilometres to the north of Rudnica.

Rudnica and Rudnica North Cu-Au Prospects

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 Rudnica 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. 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. A third drill program commenced at Rudnica in September 2018.

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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 5,000 meters prior to the December 28, 2018 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, and as a result the Suva Ruda exploration license was renewed by the Ministry of Energy and Mines of the Republic of Serbia on February 19, 2019 for a further 3 years. As well as drilling, Tethyan has also completed channel sampling and geophysical surveys on the Rudnica and Rudnica North prospects, and the results are discussed below.

Results from Drilling, Rudnica

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 Rudnica 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 stockwork veining.

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 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.

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Geophysical Surveys, Rudnica

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 Rudnica 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.

Results from Channel Sampling, Rudnica

In February 2018, Tethyan conducted a channel sampling programme at the Rudnica and Rudnica North prospects, summarized in the table below:

Prospect	Channel ID	Total Length (m)	Significant Intersections			
			From (m)	To (m)	Length (m)	Gold Grade (g/t)
Rudnica	RCH001	22	2	10	8	0.11
	RCH002	70	0	70	70	0.27
	RCH003	71	0	71	71	0.43
	RCH004	88	84	88	4	0.25
	RCH005	78	No Significant Intercepts			
	RCH006	73	10	15	5	0.16
	RCH007	15	No Significant Intercepts			
	RCH008	17	0	5	5	0.4
	RCH009	54	25	30	5	0.11
			40	45	5	0.11
	RCH010	25	0	25	25	0.1
	RCH011	7	4	7	3	0.13
	RCH012	15	No Significant Intercepts			
	RCH013	19	No Significant Intercepts			
RCH014	11	0	11	11	0.14	
Rudnica North	RCH015	55	15	55	40	0.21
	RCH016	30	0	30	30	0.24
	RCH017	38	0	10	10	0.26
	RCH018	35	15	25	10	0.15
	RCH019	21	No Significant Intercepts			

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At Rudnica, the channel samples (RCH002 and RCH003) demonstrate a continuation of the near surface, gold-bearing leached zone 50m to the south of the current limits of drilling. This information will be used to guide drill programme planning for the 2018 season and further emphasises the exploration potential at Rudnica.

At Rudnica North the channel samples were collected from argillic and advanced argillic altered andesite and andesitic volcanoclastic rocks which outcrop over an area of 160 by up to 80 metres. Outcrop is limited to road cuts and small, historic exploration pits. The Rudnica North channel samples reported herein are located on the southern edge of a moderate to high (50-70 mrad) chargeability anomaly at depth (between 200-300 metres below surface), which is coincident with a 400 by 200 metre, north-south aligned gold in soil anomaly (>100 ppb gold) and area of high magnetic intensity.

Kremice Cu-Au Prospect

Tethyan has conducted detailed mapping, stream sediment (56 samples) and soil sampling (313 samples) at Kremice, which has defined a 1200 m long by 600 to 1200 m wide gold-molybdenum-copper ± zinc ± tin soil anomaly. This anomaly is west of and partly coincident with a 1000 m by 1000 m zone of manganese ± zinc in-soil depletion and weakly anomalous lead-bismuth. The geochemical signature at Kremice is indicative of potential high-level porphyry style alteration.

Detailed mapping shows that the area of gold-copper-molybdenum geochemical soil anomalism at Kremice is related to northwest and northeast trending phyllic and argillic alteration zones with sub-vertical, sheeted and stockwork quartz-pyrite veins. The andesitic volcanic and volcanoclastic host rocks are intruded by quartz diorite porphyry stocks and dykes which display weak propylitic, argillic and silica alteration. This suite of volcanic and intrusive rocks is flanked to the southeast by a large granodiorite pluton with localised areas of weak stockwork quartz-pyrite-magnetite veins. Several historical adits have been identified during the fieldwork, spatially associated with the strongest zones of alteration in the volcanic suite and along the serpentinite-granodiorite contact.

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 110km² located in Southern Serbia, 5 km to the north of the town Josaniska Banja.

During 2017 and 2018 Tethyan completed geological mapping, stream sediment sampling and soil sampling, and a TITAN24 geophysical survey over the Gokcanica Project. Interpretation of results from this program did not indicate a target worthy of further exploration and as a result on January 14, 2019, the Company terminated the Earn-In Agreement.

Zukovac and Bucje, Serbia

In March 2018, the Company announced that Tethyan Resources d.o.o. was granted two exploration licenses named Bucje and Zukovac, totalling 200 square kilometres and situated in the south of the Timok Magmatic Complex in Eastern Serbia. The Licenses are valid for an initial period of 3 years, following which the Mining Law of Serbia allows for the license holder to apply, subject to various conditions, for extension periods of a further 3 and finally 2 years, for a total of 8 years, before the license holder is required to apply for a mining permit. Both projects are at early stages of exploration and the Company plans to conduct reconnaissance exploration before the end of 2019 including stream sediment and soil sampling.

Cernac and Bistrice, Kosovo

The Cernac and Bistrice licences are located in northern Kosovo, immediately south of the Suva Ruda licence in Serbia, and is at a grassroots stage of exploration. The Company completed geological mapping, rock-chip, stream sediment and soil sampling, and the results will be used to design follow up work programs to test the potential for copper-gold porphyry and polymetallic vein type mineralisation.

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SUMMARY OF QUARTERLY RESULTS

As at and for the three months ended	December 31, 2018 (£,000)	September 30, 2018 (£,000)	June 30, 2018 (£,000)	March 31, 2018 (£,000)
Total assets	£ 1,824	£ 2,124	£ 1,739	£ 459
Exploration properties	1,588	1,588	-	-
Working capital (deficiency)	(516)	183	(129)	(484)
Net loss	(588)	(507)	(495)	(430)
Basic and diluted loss per share (£)	(0.01)	(0.01)	(0.01)	(0.02)

As at and for the three months ended	December 31, 2017 (£,000)	September 30, 2017 (£,000)	June 30, 2017 (£,000)	March 31, 2017 (£,000)
Total assets	£ 218	£ 1,162	£ 1,603	£ 1,910
Exploration properties	-	497	245	-
Working capital	(376)	348	910	1,584
Net loss	(1,251)	(315)	(523)	(601)
Basic and diluted loss per share (£)	(0.05)	(0.01)	(0.02)	(0.02)

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018

During the three-month period ended December 31, 2018, the Company had a net loss of £588,000 compared to a loss of £1,251,000 for the three-month period ended December 31, 2017. Significant fluctuations occurred in the following categories:

- During the three-month period ended December 31, 2018, the Company recorded exploration and evaluation expenditures of £634,000 related to expenditures related to exploration activities within the Suva Ruda region (December 31, 2017 – £709,000).
- During the three months ended December 31, 2018, the Company recorded a gain of £155,000 (December 31, 2017: £Nil) on change in fair value of derivative liability.
- During the three month quarter, the Company recorded an impairment in tax receivable of £Nil (December 31, 2017: £56,000) due to uncertainties relating to the Company's ability to collect.
- During the three month period ended December 31, 2018 the company recorded a recovery of £3,000 in share based compensation expense (December 31, 2017: expense of £74,000)

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RESULTS OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

During the twelve-month period ended December 31, 2018, the Company had a net loss of £2,020,000 compared to a loss of £2,690,000 for the twelve-month period ended December 31, 2017. Significant fluctuations occurred in the following categories:

- a) During the period, the Company recorded exploration and evaluation expenditures of £866,000 compared to £834,000 during the same period ended December 31, 2017. The exploration and evaluation expenses remained consistent.
- b) Professional fees of £190,000 (2017 – £279,000) were lower as the Company incurred less in general legal fees and most of professional fees were incurred in connection with the Company's acquisition and financings during the year which were capitalized as part of acquisition cost or offset against share capital respectively.
- c) Salaries and director fees totaled to be £361,000 (2017 – £337,000) and consulting fees was £215,000 (2017 – £293,000) for the twelve months ended December 31, 2017. Salaries increased due to increased staffing for drilling activities compared to the lower consulting fees as Company had fewer consultants and directors in the current year compared to the previous year.
- d) During the year ended December 31, 2017, the Company recorded a loss of £387,000 on acquisition of certain subsidiaries while there were no losses recognized during the year ended December 31, 2018 relating to the Taor acquisition.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2018 was £75,000. As at December 31, 2018, the Company's working capital deficiency was £516,000 compared to a working capital deficiency of £376,000 as at December 31, 2017.

Net cash used in operating activities for the year ended December 31, 2018, was (£1,821,000) compared to net cash used of (£2,281,000) during the prior year ended December 31, 2017.

Net cash used in investing activities during the year ended December 31, 2018 included expenditures of £268,000 for the acquisition of Taor.

Financing activities during the year ended December 31, 2018 included net proceeds of £1,507,000 received from two private placements completed during the year, £425,000 received from related parties as loans and £175,000 for advance on share subscription.

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, 2018, the Company has a working capital deficiency of £516,000.

The Company has incurred negative cash flows from operations and recorded a loss of £2,020,000 for the year ended December 31, 2018. Subsequent to December 31, 2018, the Company completed a non-brokered private placement which resulted in gross proceeds of C\$3,316,000, raised C\$239,232 upon the exercise of warrants and common share purchase options and announced an underwritten private placement for gross proceeds of C\$5,000,000. However, the Company expects that it will require additional debt or equity funding in the next year in order to continue its planned 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 and officers of the Company. Key management compensation consists of the following:

For the year ended	December 31, 2018	December 31, 2017
P Mullens	4	100
R. Vukcevic	55	-
C Goss	-	9
F Baker	103	68
D Fohlen	-	64
S Thacker	-	11
M Keates	-	36
Share-based compensation	132	70
	294	358

Related party transactions

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 was non-interest bearing and was to mature on the earlier of 6 months or 5 days following the date on which the Company raised in excess of £1,000,000 by way of an equity or debt financing with a third party. On June 29, 2018, Dr. Michael Andrews settled the loan in consideration for 2,450,000 units of the Company on completion of the transaction described in Note 3(a). Each unit was 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.

On November 15, 2017, Southern Arc Minerals Inc. (“Southern Arc”), a company with 2 directors in common with the Company, advanced C\$400,000 to the Company pursuant to a convertible debenture financing. The convertible debenture bore interest annually at a rate of LIBOR plus 4% and had a maturity date of May 15, 2018. The convertible debenture was convertible at the option of Southern Arc, into securities of the Company at a share price determined by the share price of the Company’s next equity financing subject to Southern Arc not owning 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 could not 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. Southern Arc settled its C\$400,000 convertible debenture in consideration for 1,600,000 units of the Company on completion of the Taor acquisition. Each unit was 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. On November 8, 2018, Southern Arc exercised 45,051 of the warrants it received in exchange for settlement of accrued interest of £9,000 owing to Southern Arc related to the loan.

On December 30, 2018, Southern Arc loaned an additional C\$125,000 to the Company. This loan carries a onetime financing expense of 5%. As at December 31, 2018, the balance of this loan including financing expense was £75,000. This amount was paid on January 31, 2019.

During the year ended December 31, 2017, the Company engaged the services of J. Proust & Associates Inc., a company controlled by a director of both the Company and Southern Arc which owns 19.84% of the Company’s shares as at December 31, 2018. During the year ended December 31, 2018, in addition to the amounts described in the key management personnel compensation table above, the Company incurred £115,000 in fees charged by J. Proust & Associates Inc. for finance, accounting and administrative services. As at December 31, 2018, a balance of £8,601 remains payable to J. Proust & Associates Inc.

As described in Note 3(b), the Company acquired two subsidiaries from the Company’s then Chief Executive Officer for no consideration.

The above transactions are recorded at the consideration established and agreed to by the related parties.

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CURRENT SHARE DATA

As at the date of this MD&A, the Company had 73,459,132 ordinary shares in issue.

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

Exercise Period	Number	WAEP
Exercisable until 2021	1,775,001	C\$0.25
Exercisable until 2022	533,333	C\$0.30
Exercisable until 2023	471,666	C\$0.30
Exercisable until 2024	3,700,000	C\$0.51
	6,480,000	

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

Exercise period	Number	Weighted average exercise Price
Exercisable until December 12, 2019	390,250	£0.13
Exercisable until April 20, 2021	2,583,430	C\$0.35
Exercisable until June 29, 2021	1,979,949	C\$0.35
Exercisable until August 17, 2021	3,179,520	C\$0.35
Exercisable until January 31, 2024	17,280,000	C\$0.25
	25,413,149	

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.

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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. The Company is exposed to foreign exchange risk to the extent that financial instruments are not denominated in the functional currency of the Company or its subsidiaries. Such exposure relates primarily to financial assets and liabilities denominated in Canadian dollars, US dollars and Euros. As at December 31, 2018, the Company held financial assets of £Nil, £1,000 and £3,000 in Canadian dollars, US dollars and Euro respectively and financial liabilities of £63,000, £Nil and £Nil respectively. A 10% change in exchange rate would change net loss by £6,000.

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 consolidated financial statements for the year ended December 31, 2018. 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.

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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.

- The determination of fair values of share-based compensation and warrants classified as derivative liabilities which require assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact share-based payment expense and changes in fair value of derivative liabilities 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.

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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.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases* (IFRS 16). IFRS 16 is effective for the Company on January 1, 2019. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company will utilize the modified retrospective approach on transition, under which comparative figures are not restated and expects to utilize practical expedients available under IFRS 16 related to short term and low value leases.

The Company estimates that effective January 1, 2019, it will recognize right-of-use assets and corresponding lease liabilities in the range of £50,000 to £65,000 in its Consolidated Statement of Financial Position, with no restatement of comparative periods' results. The Company is in the process of finalizing its IFRS 16 transition impact calculations, lease accounting procedures and policies, expecting to be complete during the first quarter of 2019.

Upon adoption of this new accounting standard, lease payments will no longer be recognized as an expense in office and administration expenses. Instead interest on lease obligations will be presented as interest expense and depreciation expenses on the right of use assets will be recognized.

IFRIC 23 – Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 (“Interpretation 23”) – *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. Interpretation 23 is applicable for the Company on January 1, 2019. The Company does not expect it to have a material impact on the consolidated financial statements.

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QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE

The technical information in this document has been reviewed by Andrew Tunningley, MAusIMM(CP), Tethyan's Exploration Manager, 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.