TETHYAN RESOURCE CORP

(Tethyan Resources Plc to July 18, 2019)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019

(Unaudited – prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of the Tethyan Resource Corp. *(Tethyan Resources Plc. to July 18, 2019)* as at and for the three and nine-month periods ended September 30, 2019 have been prepared by and are the responsibility of the Company's management.

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company discloses that KPMG LLP, its independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TETHYAN RESOURCE CORP - *(Tethyan Resources Plc to July 18, 2019)*
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - expressed in thousands)

As at	Notes		September 30 2019		December 31 2018		January 1 2018
Assets					*Restated – see Note 14*		*Restated – see Note 14*
Current assets							
Cash and cash equivalents		$	2,288	$	130	$	96
Receivables, deposits and prepayments			217		165		200
Deferred share issuance costs			-		46		-
			2,505		341		296
Non-current assets							
Property, plant and equipment	4		58		70		72
Right-of-use assets	5		502		-		-
Exploration and evaluation assets	6		2,590		2,762		-
Total assets		$	5,655	$	3,173	$	368
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities		$	346	$	802	$	533
Advance on share subscription			-		304		-
Current portion of lease liabilities	5		216		-		-
Loan from related party	9		-		131		403
			562		1,237		936
Non-current liabilities							
Lease liabilities	5		302		-		-
Derivative liabilities	8		-		461		-
Total liabilities			864		1,698		936
Shareholders' equity (deficiency)							
Share capital	7		76,184		7,436		7,206
Share premium	7		-		54,863		50,682
Share-based payment reserve	7		2,398		3,094		1,855
Currency translation reserve			3,657		3,428		3,565
Own shares held reserve	7		(128)		(128)		(128)
Deficit			(77,320)		(67,218)		(63,748)
Total shareholders' equity (deficiency)			4,791		1,475		(568)
Total liabilities and shareholders' equity		$	5,655	$	3,173	$	368

Nature of operations and going concern	1
Contingent liabilities	10

On behalf of the Board of Directors

" Richard Warke" Director   *" Fabian Baker"* Director

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

(Unaudited - expressed in thousands, except per share amounts)

	Notes	Three-month period ended September 30 2019	Three-month period ended September 30 2018	Nine-month period ended September 30 2019	Nine-month period ended September 30 2018
			Restated – see Note 14		*Restated – see Note 14*
Expenses					
Consulting		$ 54	$ 65	$ 289	$ 303
Depreciation	4,5	63	-	191	5
Director fees		-	-	-	7
Filing and regulatory		2	14	117	58
Foreign exchange (gain) loss		158	(9)	(8)	(78)
Exploration and evaluation expenditure	6	440	227	1,698	594
Office and administrative		359	91	1,120	393
Professional fees		186	64	710	382
Salaries		272	189	665	398
Share-based compensation	7	43	195	313	289
Travel		27	29	151	107
Loss before other items		1,604	865	5,246	2,458
Other items					
Interest on lease liabilities	5	11	-	30	-
Finance expense		-	-	-	10
(Gain) loss on change in fair value of derivative liability	8	(1,834)	-	4,826	-
		(1,823)	-	4,856	10
Net (income) loss for the period		(219)	865	10,102	2,468
Other comprehensive loss					
Exchange difference on translation of foreign currency		(96)	123	(229)	250
Total comprehensive loss for the period		$ (315)	$ 988	$ 9,873	$ 2,718
Loss per share					
Basic and diluted loss per share		$ (0.00)	$ (0.02)	$ (0.14)	$ (0.07)
Weighted-average number of shares outstanding (‘000)		80,431	44,598	74,942	35,021

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

TETHYAN RESOURCE CORP - *(Tethyan Resources Plc to July 18, 2019)*
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - expressed in thousands)

	Notes	Three-month period ended September 30 2019	Three-month period ended September 30 2018	Nine-month period ended September 30 2019	Nine-month period ended September 30 2018
			Restated – see Note 14		*Restated – see Note 14*
Cash flows used in operating activities					
Net loss for the period		$ 219	$ (865)	$ (10,102)	$ (2,468)
Adjustments for:					
(Gain) Loss on change in fair value of derivative liability	8	(1,834)	-	4,826	-
Depreciation	4, 5	63	-	191	5
Finance expense		-	-	-	10
Interest on lease liabilities	5	11	-	30	-
Unrealized foreign exchange loss		49	-	172	-
Share-based compensation	7	43	195	313	289
Changes in non-cash working capital items					
Amounts receivable, deposits and prepayments		21	(47)	(52)	5
Accounts payable and deferred liabilities		(537)	50	(1,148)	(160)
Net cash used in operating activities		(1,965)	(667)	(5,770)	(2,319)
Cash flows used in investing activities					
Purchase of equipment	4	-	-	(27)	-
Exploration and evaluation capitalized		-	(208)	-	(397)
Net cash used in investing activities		-	(208)	(27)	(397)
Cash flows from (used in) financing activities					
Loans from related parties		-	-	(131)	600
Proceeds, common shares issued (private placements); net of share issuance costs	7	-	1,421	7,589	2,837
Proceeds from common shares issued from exercise of stock options and warrants	7	1	-	439	-
Payment of lease liabilities	5	(63)	-	(171)	-
Net cash provided by (used in) financing activities		(62)	1,421	7,726	3,437
Change in cash and cash equivalents during the period		(2,027)	546	1,929	721
Effect of foreign exchange on cash		96	(123)	229	(250)
Cash and cash equivalents, beginning of period		4,219	144	130	96
Cash and cash equivalents, end of period		$ 2,288	$ 567	$ 2,288	$ 567
Supplementary information					
Non-cash transactions					
Acquisition of exploration and evaluation assets for shares		$ -	$ -	$ -	$ 2,285
Shares issued for settlement of debt		-	-	-	1,009

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

TETHYAN RESOURCE CORP - *(Tethyan Resources Plc to July 18, 2019)*
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - expressed in thousands)

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Own shares held reserve	Deficit	Total equity
As at January 1, 2018 *(Restated – see Note 14)*	$ 7,206	$ 50,682	$ 1,855	$ 3,565	$ (128)	$ (63,748)	$ (568)
Shares subscribed for private placement, net of issue costs	116	2,721	-	-	-	-	2,721
Shares issued as part of Taor acquisition – Note 7(b)	73	1,257	955	-	-	-	2,285
Shares issued for debt settlement	41	730	238	-	-	-	1,009
Share-based compensation	-	-	289	-	-	-	289
Net loss for the period	-	-	-	-	-	(2,468)	(2,468)
Foreign currency translation	-	-	-	(250)	-	-	(250)
As at September 30, 2018 *(Restated – see Note 14)*	7,436	55,390	3,337	3,315	(128)	(66,216)	3,134
Share issue costs	-	(50)	-	-	-	-	(50)
Warrants fair value		(599)					(599)
Shares issued for debt settlement	-	107	(238)	-	-	-	(131)
Shares issued on warrants exercised	-	15	-	-	-	-	15
Share-based compensation	-	-	(5)	-	-	-	(5)
Net loss for the period	-	-	-	-	-	(1,002)	(1,002)
Foreign currency translation				113	-	-	113
As at December 31, 2018 *(Restated – see Note 14)*	7,436	54,863	3,094	3,428	(128)	(67,218)	1,475
Shares subscribed for private placement, net of issue costs	237	5,189	-	-	-	-	5,426
Shares issued as finder's fees	7	41	-	-	-	-	48
Shares issued as part of Taor acquisition – Notes 7(b)	52	948	(1,000)	-	-	-	-
Shares issued on warrants and options exercised	18	583	(139)	-	-	-	462
Derivative liability transferred to equity upon redomicile	-	6,810	130	-	-	-	6,940
Redomicile and share cancellation / exchange	68,434	(68,434)	-	-	-	-	-
Share-based compensation	-	-	313	-	-	-	313
Net loss for the period	-	-	-	-	-	(10,102)	(10,102)
Foreign currency translation	-	-	-	229	-	-	229
As at September 30, 2019	$ 76,184	$ -	$ 2,398	$ 3,657	$ (128)	$ (77,320)	$ 4,791

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

(Expressed in thousands, except share numbers and per share amounts)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Tethyan Resources Plc ("Old Tethyan") was a public limited company incorporated and domiciled in England until July 18, 2019. On July 18, 2019, by way of a scheme of arrangement, Tethyan Resources Plc became a wholly owned subsidiary of Tethyan Resource Corp. ("New Tethyan", "Tethyan" or the "Company"), a company incorporated under the laws of the province of British Columbia, Canada. Pursuant to the scheme of arrangement, Old Tethyan's ordinary shares were exchanged on a one-for-one basis for common shares of New Tethyan and New Tethyan has been accounted for as a continuation of Old Tethyan. Tethyan Resource Corp's registered office is Suite 1200 – 750 West Pender, Vancouver, B.C. V6C 2T8. Tethyan shares trade on the TSX-V under the symbol (TETH). Financial results are presented in Canadian Dollars.

The Company operations involve acquiring, exploring and evaluating mineral properties in Serbia. The Company has not yet determined whether the properties contain reserves that are economically recoverable.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations. For the nine-month period ended September 30, 2019, the Company incurred negative cash flows from operations of $5,770 and recorded a net loss of $10,102.

The Company expects that it will require additional debt or equity funding in the next 12 months in order to continue its planned exploration and evaluation activities and meet its business objectives. The Company plans to raise the necessary funds primarily through issuance of shares. The Company's ability to continue on a going concern basis is therefore dependent on its ability to successfully raise additional funds. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These conditions result in material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern. These unaudited consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). The unaudited condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018 except as described in Note 3. These unaudited condensed consolidated interim financial statements were approved for issuance by the Company's Board of Directors on November 21, 2019.

Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, as well as its share of 688284 BC Ltd., a shared management services company (joint operation). All intercompany balances and transactions have been eliminated on consolidation.

The principal subsidiaries are:

Entity	Ownership Percentage	Location	Functional Currency
Tethyan Resources Plc	100%	England	GBP
Tethyan Resources Jersey Ltd.	100%	Jersey	GBP
Tethyan Resources d.o.o.	100%	Serbia	RSD
Global Mineral Resources d.o.o.	100%	Serbia	RSD
Taor d.o.o.	100%	Serbia	RSD
Tethyan Resources Bulgaria EOOD	100%	Bulgaria	BGN
Kosovo Resource Company	95%	Kosovo	EUR

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

Transactions included in the financial results of each of the group's subsidiaries are measured using the currency of the primary economic environment in which each subsidiary operates ("the functional currency"). These unaudited condensed consolidated interim financial statements are presented in Canadian Dollars ("$" or "CAD"), which is Tethyan Resource Corp's functional currency and the presentation currency for the group. Reference to "GBP" or "£" are to Great British Pounds Sterling and references to "€" are to Euros.

Use of estimates and judgments

In preparing these unaudited condensed consolidated interim financial statements, the judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as described in and applied to the Company's consolidated financial statements for the year ended December 31, 2018, except for the new significant judgements related to lessee accounting under IFRS 16 (see Note 3) and also judgement related to the determination of the Company's presentation currency (see Notes 3 and 14).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018 have been consistently applied to the preparation of these unaudited condensed consolidated interim financial statements unless otherwise noted.

Presentation Currency

Upon the share exchange pursuant to the scheme of arrangement described in Note 1, the Company changed its presentation currency and adopted the Canadian Dollar instead of the British Pound. The functional currencies of the underlying entities have not been changed. See Note 14 for the impact that the presentation currency change had on the financial statements of the Company.

These unaudited condensed consolidated interim financial statements are presented in Canadian Dollars, including comparative amounts, which have been restated where applicable. See Note and 14.

Joint arrangements

Tethyan become a party to the joint operation for management and administrative services on February 1, 2019. The following outlines the accounting policy the Company uses to account for Joint operations.

Joint arrangements are arrangements where the Company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

(i) *Joint operation* – when the Company has rights to the assets and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

(ii) *Joint venture* – when the Company has rights only to the net assets of the arrangement, it accounts for its interest using the equity method.

The Company has an interest in one joint operation relating to a shared management services company (688284 BC Ltd) that provides management and administrative services to Tethyan and other companies. The unaudited interim condensed consolidated financial statements include the Company's proportionate share of the joint operations' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis from the date that the joint arrangement commences until the date that the joint arrangement ceases. These interests are governed by a contractual arrangement whereby rights to assets, liabilities and expenses of the management services company are attributed in proportion to the activity carried out through the arrangement that is directly related to Tethyan. Proportional sharing of costs, assets and liabilities is based on the amount of management services company time spent on each company party to the joint operation.

The Company does not have any joint arrangement that are classified as joint ventures.

(Expressed in thousands, except share numbers and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting standards

Effective January 01, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16").

IFRS 16 - *Leases*

IFRS 16 replaces IAS 17, *Leases* ("IAS 17") and related interpretations. IFRS 16 sets out principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. IFRS 16 was applied using the modified retrospective approach, under which the cumulative effect of initial application is recognized in Deficit on January 1, 2019, with no restatement of comparative figures, which continue to be reported under IAS 17. The Company elected to measure its right-of-use assets at amounts equal to the corresponding lease liabilities, which resulted in no adjustment to Deficit on transition.

The Company identified certain leases for office space, which were previously treated as operating leases under IAS 17, as within the scope of IFRS 16 and required recognition as a right of use asset and a corresponding lease liability.

Judgement was applied adopting IFRS 16 to identify contracts within the scope of IFRS 16, evaluating lease renewal terms and determining the incremental borrowing rate used to present value the lease arrangements. On transition, lease liabilities were measured at the present value of the remaining lease payments under the agreement term, after considering early termination and extension options that were reasonably expected to be exercised. Right-of-use assets were measured at an amount equal to the lease liability.

Practical expedients applied

In applying IFRS 16 for the first time, we have used the following practical expedients under the modified retrospective approach:

- Recognition exemptions related to short-term and low value leases; and
- An election to not reassess contracts which were previously identified as leases under IAS 17.

Impact on transition

On January 1, 2019, the transition date to IFRS 16, the Company recognized $60 of new right-of-use assets and lease liabilities in the Statement of Financial Position, using a weighted average discount rate of 5%.

The following is a reconciliation between lease commitments disclosed as at December 31, 2018, under IAS 17 and lease liabilities recognized on January 1, 2019, upon initial application of IFRS 16.

Operating lease commitment as at December 31, 2018 *(Note 11 annual audited financial statements – translated to CAD)*	$	150
Discounted using the January 1, 2019 weighted average incremental borrowing rate		132
Recognition exemption for leases with less than 12 months of lease term at transition		(30)
Termination options reasonably certain to be exercised		(42)
Lease liabilities recognized on January 1, 2019	$	60
Current lease liabilities	$	27
Non-current lease liabilities		33
Lease liabilities recognized on January 1, 2019	$	60

Significant accounting policies amended

As a result of the adoption of IFRS 16, the Company has amended its accounting policy for Leases, from the policy disclosed in the audited annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies amended (continued)

Leases

This policy is applied to contracts entered into, or modified, on or after January 1, 2019 and is as follows:

At the inception of a contract, an assessment is made as to whether a contract is, or contains a lease. A contract is, or contains a lease if the contract offers the right to control the use of a specific asset, for a period of time, in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the following criteria are considered:

- The contract involves the use of an identified asset that is physically distinct or represents substantially all of the capacity of a physically distinct asset. No asset is identified if the supplier of the assets has substantive substitution rights;
- Whether the Company has the right to obtain substantially all of the economic benefits from the asset throughout the agreement term; and
- Whether the Company has the right to direct the use of the asset and change how and for what purpose the asset is used.

A right-of-use asset and a corresponding lease liability are recognized on the date a leased asset is available for use by the Company. Assets and liabilities arising from the lease determination are initially measured on a present value basis of the following payments:

- Fixed payments, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under any residual value guarantees;
- The exercise of a purchase option if the lessee is reasonably certain to exercise that option;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate present value. The Company's borrowing rate is the rate that the Company, as the lessee, would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the starting point in determining the discount rate, making adjustments based on the lease term, if required.

The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability and reductions to the lease liability, reflecting lease payments made and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying value of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less.

New accounting standards and pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after December 31, 2019. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a significant impact on the consolidated financial statements of the Company.

(Expressed in thousands, except share numbers and per share amounts)

4. PROPERTY, PLANT AND EQUIPMENT

		Exploration equipment
Cost		
December 31, 2018	$	114
Additions for the period		27
September 30, 2019	$	141
Accumulated depreciation		
December 31, 2018	$	(44)
Depreciation for the period		(39)
September 30, 2019	$	(83)
Net book value		
December 31, 2018	$	70
September 30, 2019	$	58

5. LEASES

Right-of-use assets

	Note		Total
January 1, 2019	3	$	60
Additions for the period [(1)]			598
Depreciation for the period			(152)
Foreign exchange movement			(4)
September 30, 2019		$	502

(1) Includes proportional share of joint operation right-of use assets and changes to rights-of-use based on usage allocation – shared office space.

Lease liabilities

	Note		Total
January 1, 2019	3	$	60
Additions for the period [(1)]			598
Lease payments for the period			(171)
Interest on lease liabilities			30
Foreign exchange movement			1
September 30, 2019		$	518
Less current portion			(216)
Non-current lease liabilities			302

(1) Includes proportional share of joint operation lease liabilities and changes to liabilities based on usage allocation – shared office space.

In the nine-month period ended September 30, 2019 $33 of payments related to short-term leases was expensed in the unaudited condensed consolidated interim statement of loss.

(Expressed in thousands, except share numbers and per share amounts)

6. EXPLORATION AND EVALUATION

ASSETS – Exploration Licenses

	Suva Ruda (a)	Taor (b)	Gokanica (c)	Other	Total
December 31, 2017	$ -	$ -	$ -	$ -	$ -
2018 additions	-	2,677	-	-	2,762
2018 foreign currency impact		85			
December 31, 2018	$ -	$ 2,762	$ -	$ -	$ 2,762
2019 foreign currency impact	-	(172)	-	-	(172)
September 30, 2019	$ -	$ 2,590	$ -	$ -	$ 2,590

EXPENDITURES

Exploration and evaluation expenditures for the three-month periods ended September 30, 2019 and 2018**:**

Three months ended	September 30, 2019				September 30, 2018			
	Suva Ruda (a)	Taor (b)	Other	Total	Suva Ruda (a)	Taor (b)	Other	Total
Drilling	$ -	$ -	$ -	$ -	$ 69	$ -	$ -	$ 69
Drilling consumables and other	32	-	-	32	14	-	-	14
Geochemistry	49	16	18	83	(25)	-	-	(25)
Geological reports	4	112	-	116	65	-	-	65
General exploration and consulting	31	5	15	51	104	-	-	104
Licenses	-	4	146	150	-	-	-	-
Travel and logistics	-	-	8	8	-	-	-	-
	$ 116	$ 137	$ 187	$ 440	$ 227	$ -	$ -	$ 227

Exploration and evaluation expenditures for the nine-month periods ended September 30, 2019 and 2018**:**

Nine months ended	September 30, 2019				September 30, 2018			
	Suva Ruda (a)	Taor (b)	Other	Total	Suva Ruda (a)	Taor (b)	Other	Total
Drilling	$ 846	$ -	$ -	$ 846	$ 88	$ -	$ -	$ 88
Drilling consumables and other	63	-	-	63	35	-	-	35
Geochemistry	182	16	18	216	15	-	-	15
Geological reports	9	125	-	134	65	-	-	65
General exploration and consulting	53	25	45	123	213	-	-	213
Geophysics	27	2	-	29	-	-	-	-
Licenses	248	28	-	276	178	-	-	178
Surveying	3	-	-	3	-	-	-	-
Travel and logistics	-	-	8	8	-	-	-	-
	$ 1,431	$ 196	$ 71	$ 1,698	$ 594	$ -	$ -	$ 594

(Expressed in thousands, except share numbers and per share amounts)

6. EXPLORATION AND EVALUATION (continued)

(a) Suva Ruda

In October 2016, Tethyan signed an option agreement with Deep Research d.o.o ("Deep Research"), a private Serbian company, that gives Tethyan the sole and exclusive right to acquire (the "Option") a license over the Suva Ruda Project in Serbia (the "License") 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 License is located in Southern Serbia near the town of Raška, 170 km directly south of Belgrade and within the Raška Ore district. The License comprises one exploration permit with a surface area of 87 km^2. The decision whether or not to exercise the Option during this period is at the sole discretion of the Company. At the time of exercise, the Company must be in compliance with certain work and payment milestones including:

Option agreement milestones		Cash Payments	Meters Drilled	Project Evaluation	Ownership Interest
Completed:					
As at September 30, 2019	€	400 (1)	7,000 (2)	-	-
To be completed:					
- Preliminary Economic Assessment on or before September 13, 2022		-		Cost unknown	-
- Feasibility study on or before September 13, 2023		-		Cost unknown	-
- Purchase of Suva Ruda License *(at any time during duration of the agreement)*		6,000			-
	€	6,400	7,000 (2)	Cost unknown	100%

Plus
- Reasonable efforts to apply for mining permits (before the expiration of the license)
- A percentage of the capital expenditures of mine construction (3)

(1) €0.1 million paid on or before March 31, 2017, €0.1 million paid on or before each of September 13, 2017, 2018 and 2019.

(2) 2,000 meters of drilling completed before December 31, 2016 and a further 5,000 meters of drilling completed before December 31, 2018 in compliance with the agreement.

(3) The amount payable by Tethyan post exercise of the option to acquire the License will be calculated as follows: 4% of capital expenditures up to € 200 million; *(up to € 8 million),* 2% of capital expenditures between €200 – 500 million; *(between € 4million and €10 million)* and 1% of capital expenditures in excess of €500 million.

(b) Taor

On June 29, 2018, Tethyan Resources Plc acquired all of the issued and outstanding shares of a Serbian company, Taor d.o.o. ("Taor") (the "Transaction") from Dr. Radomir Vukcevic, a director of the Company. Taor holds two exploration licenses totaling approximately 100 square kilometers situated adjacent to the Suva Ruda license. The Transaction was accounted for as an asset acquisition. The fair value of the consideration paid was determined and allocated as to Exploration and evaluation assets as follows:

Fair value of consideration

Cash paid	*€250*	$	329
Shares issued	*12,000,000 x $0.19 (share price on closing date)*		2,280
Transaction cost incurred			68
Total consideration		$	2,677

(c) Gokcanica

In May 2016, the Company executed a Joint Venture and Earn-in Agreement with the Rockstone Group LLC pursuant to which Tethyan could acquire up to an 80% interest in the Gokcanica project licenses in Southern Serbia. On execution of the agreement, the Company paid €0.01 million in cash and issued 194,444 common shares in connection with this agreement. The Gokcanica Permits consist of two adjoining permits with a combined area of 110km² located in southern Serbia, 5 km to the north of the town of Josaniska Banja.

On January 14, 2019, the Company terminated the agreement after it decided not to complete the exploration expenditures required under the first of three stages of the agreement.

(Expressed in thousands, except share numbers and per share amounts)

7. SHARE CAPITAL

Authorized capital

The authorized share capital of Tethyan Resource Corp consists of an unlimited number of common shares, with no par value.

Own Shares Held Reserve

As at September 30, 2019 and December 31, 2018, there were 565,865 shares outstanding which are beneficially owned by the Company and have not been cancelled. The carrying value of these shares of $128 is included in Own Shares Held Reserve in shareholders' equity.

Issued capital

The total issued and outstanding shares and the changes for the periods ended September 30, 2019 and December 31, 2018 are as follows:

	Ordinary shares		Class A deferred shares		Class B deferred shares		Total share capital	Share premium
	Number of shares	Value $'000	Number of shares	Value $'000	Number of shares	Value $'000	Value $'000	Value $'000
As at December 31, 2017	28,047,061	347	368,716,729	6,092	89,193,163	767	7,206	50,682
Shares issued for cash in private placements, less issuance costs	11,213,500	116	-	-	-	-	116	2,721
Shares issued for Taor acquisition – Note 7(b)	7,000,000	73	-	-	-	-	73	1,257
Shares issued for loan conversion	4,050,000	41	-	-	-	-	41	730
As at September 30, 2018	50,310,561	577	368,716,729	6,092	89,193,163	767	7,436	55,390
Share issue costs	-	-	-	-	-	-	-	(50)
Warrants fair value	-	-	-	-	-	-	-	(599)
Shares issued for loan conversion	-	-	-	-	-	-	-	107
Shares issued for exercise of warrants	45,051	-	-	-	-	-	-	15
As at December 31, 2018	50,355,612	577	368,716,729	6,092	89,193,163	767	7,436	54,863
Shares issued for cash in private placements, less issuance costs	22,830,000	237	-	-	-	-	237	5,189
Shares issued as finder's fees	700,000	7	-	-	-	-	7	41
Shares issued for Taor acquisition – Note 7(b)	5,000,000	52	-	-	-	-	52	948
Shares issued for exercise of warrants and stock options	1,547,120	18	-	-	-	-	18	583
Deferred shares cancellation	-	-	(368,716,729)	(6,092)	(89,193,163)	(767)	(6,859)	6,859
Cancellation of derivative liabilities	-	-	-	-	-	-	-	6,810
Redomicile and share cancellation / exchange	-	75,293	-	-	-	-	75,293	(75,293)
As at September 30, 2019	80,432,732	76,184	-	-	-	-	76,184	-

The historical values of the share capital (which represented the par value of the Tethyan Resources Plc shares) have been combined with the historical share premium value, as Tethyan Resource Corp shares exchanged pursuant to the scheme of arrangement (Note 1) do not have a par value.

7. SHARE CAPITAL (continued)

On April 24, 2018, the Company completed a non-brokered private placement of 5,214,500 units at a price of $0.25 per unit for gross proceeds of $1,304. 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 $0.35 per share for a period of three years from the closing of the private placement. The Company paid finders' fees of $24 and issued 94,200 finders' warrants, exercisable at $0.35 per share for a period of three years.

On June 29, 2018, the Company issued 4,050,000 ordinary shares in connection with units issued on settlement of loans from related parties (see Note 10).

On August 17, 2018, the Company closed a non-brokered private placement for gross proceeds of $1,500. The private placement consisted of 6,000,000 units at a price of $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 $0.35 per share for a period of three years from the closing date of the private placement. Dr. Michael Andrews, a then director of the Company, purchased 908,000 units and invested $277. Under the private placement, the Company paid finders' fees of $76 and issued 305,520 finders' warrants, exercisable at $0.35 per share for a period of three years.

On January 30, 2019, the Company closed a non-brokered private placement of 16,580,000 units at a price of $0.20 per unit, for aggregate gross proceeds of $3,316. In connection with the placement, the Company issued 700,000 finders' units. Each unit comprised 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 $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") subscribed for 11,500,000 units, representing approximately 16% of then the issued and outstanding ordinary shares of the Company. 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 the Company.

On January 30, 2019, the Company issued the final 5,000,000 ordinary shares for the Taor Acquisition, see Note 7(b).

On April 17, 2019, the Company closed an underwritten private placement of 6,250,000 ordinary shares of the Company at a price of $0.80 per common share, for aggregate gross proceeds of $5,000. The Company paid a 5.0% cash commission of $250 to the Underwriters in connection with the offering. Augusta, a private company beneficially owned by Richard Warke, the Company's Executive Chairman purchased 1,250,000 ordinary shares and invested $1,000, bringing Mr. Warke's beneficial ownership to 15.94% of the Company as at April 17, 2019.

On May 20, 2019, Board of Directors of the Company approved the buyback and cancellation all of the issued and outstanding Class A and Class B deferred shares for $ nil consideration, as permitted under the Articles of the Company. The Class A Deferred shares had a par value of £0.009 (0.9p) each and the Class B Deferred shares had a par value of £0.005 (0.5p) each. The Class A and B Deferred Shares did not have any voting rights and holders were not entitled to receive dividends nor any other form of distribution other than a maximum of £0.009 (0.9p) per Class A Deferred share and £0.005 (0.5p) per Class B Deferred share on a return of capital on a winding up of the Company.

At the Company's general meeting on June 28, 2019, the shareholders approved the resolution redomiciling the Company to Canada by way of a scheme of arrangement. Pursuant to the scheme of arrangement, which became effective July 18, 2019, the Company acquired all of the issued and outstanding shares of Old Tethyan from existing shareholders in exchange for shares of the Company on a one-for-one basis.

In the nine months ended September 30, 2019, 267,120 common share purchase warrants with a weighted average exercise price of $0.35 were exercised and 1,280,000 common share purchase options with a weighted average exercise price of $0.27 were exercised for total proceeds to the company of $439.

(Expressed in thousands, except share numbers and per share amounts)

7. SHARE CAPITAL (continued)

Share purchase options

Details of the share purchase options outstanding and the weighted average exercise price are as follows:

	Number of options	Weighted-average exercise price $ (1)	Weighted-average life remaining (years)
Outstanding, December 31, 2017	2,620,000	0.36	3.51
Issued	2,386,666	0.26	3.60
Cancelled	(800,000)	0.52	-
Expired	(466,666)	0.53	-
Outstanding, September 30, 2018	3,740,000	0.27	3.61
Expired	(60,000)	0.30	-
Outstanding, December 31, 2018	3,680,000	0.27	3.22
Issued	4,050,000	0.52	4.35
Cancelled	(1,320,000)	0.46	-
Exercised	(1,280,000)	0.27	-
Outstanding, September 30, 2019	5,130,000	0.42	3.61

(1) Share purchase options with exercise prices in GBP (Sterling) have been converted to Canadian Dollars using the exchange rate at period end (for period end balances) and the average rate for the activity within the period presented for all other movements.

All outstanding share purchase options are priced in Canadian Dollars, except for 266,667 stock options, which have an exercise price in pence. As at September 30, 2019, the total number of share options outstanding was as follows:

	Outstanding			**Exercisable**	
Range of exercise prices $	Number of options	Weighted-average exercise price ($)	Weighted-average remaining contractual life (years)	Number of options	Weighted-average exercise price
$0.23 (0.14p)	266,667	$ 0.23	2.23	266,667	$ 0.23
0.25 – 0.50	1,963,333	0.28	2.59	1,788,333	0.27
0.51 – 0.78	2,900,000	0.53	4.42	407,500	0.64
	5,130,000	$ 0.42	3.61	2,462,500	$ 0.33

During the nine months ended September 30, 2019, the Company recorded a share-based compensation expense of $313 (nine months ended September 30, 2018: $289) in connection with the options granted.

During the three months ended September 30, 2019, the Company recorded a share-based compensation expense of $43 (three months ended September 30, 2018: $195) in connection with the options granted.

(Expressed in thousands, except share numbers and per share amounts)

7. SHARE CAPITAL (continued)

Share purchase options (continued)

The following weighted-average assumptions were used for the Black-Scholes valuations of the options granted in each of the nine-month periods ended September 30, 2019 and September 30, 2018.

	September 30 2019	September 30 2018
Number of options granted	4,050,000	2,386,666
Risk-free interest rate	1.77%	1.05%
Expected forfeiture rate and dividend rate	0%	0%
Weighted-average grant date share price	$0.52	$0.26
Volatility	87%	75%
Expected life of options (in years)	4.35 years	3.60 years
Fair value of options granted	$ 0.33	$ 0.11

Share purchase warrants

As at September 30, 2019, the following warrants to purchase ordinary shares were issued and outstanding:

	Number of warrants	Weighted-average exercise price $	Weighted-average life remaining (years)
Outstanding, December 31, 2017	407,843	0.22	1.97
Issued	8,031,470	0.35	2.74
Outstanding, September 30, 2018	8,439,313	0.34	2.67
Exercised	(45,051)	0.35	-
Expired	(17,593)	0.37	-
Outstanding, December 31, 2018	8,376,669	0.34	2.42
Issued	17,280,000	0.25	4.34
Exercised	(267,120)	0.35	-
Outstanding, September 30, 2019	25,389,549	0.28	3.48

Exercise period	Number of warrants	Weighted-average exercise price $	Weighted-average life remaining (years)
Exercisable until December 12, 2019	390,250	0.22	0.20
Exercisable until April 24, 2021	2,559,830	0.35	1.57
Exercisable until June 29, 2021	1,979,949	0.35	1.75
Exercisable until August 17, 2021	3,179,520	0.35	1.88
Exercisable until January 30, 2024	17,280,000	0.25	4.34
Outstanding September 30, 2019	25,389,549	0.28	3.48

(Expressed in thousands, except share numbers and per share amounts)

8. DERIVATIVE LIABILITIES

As the exercise price of certain of the Company's share purchase warrants is fixed in $, and the functional currency of the Company was the GBP to July 18, 2019, these warrants were considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability. A continuity of the derivative liability is as follows:

Derivative Liability Warrants	**Warrants not subject to revaluation**	**Warrants subject to revaluation**	**Fair value (in '000)**
Balance as at December 31, 2017	407,843	-	$ -
April 24, 2018 issuance of units – fair value	-	2,606,750	282
April 24, 2018 issuance of agents warrants – fair value	-	94,200	10
June 29, 2018 issuance of units for debt settlements	-	2,025,000	130
August 17, 2018 issuance of units – fair value	-	3,000,000	275
August 17, 2018 issuance of agents warrants	-	305,520	28
Exercise of warrants in 2018	-	(45,051)	(3)
Expiry of warrants in 2018	(17,593)	-	-
Change in fair value (December 31, 2018 revaluation)	-	-	(261)
Balance as at December 31, 2018	390,250	7,986,419	461
January 31, 2019 issuance of units – fair value at grant	-	16,580,000	2,164
January 31, 2019 issuance of agents warrants at grant	-	700,000	91
Exercise of warrants in Q1 2019	-	(243,520)	(14)
Exercise of warrants in Q2 2019	-	(20,000)	(11)
Exercise of warrants in Q2 2019	-	(3,600)	(1)
Change in fair value (Q1 2019 revaluation)	-	-	12,893
Change in fair value (Q2 2019 revaluation)	-	-	(6,645)
Change in fair value (Q3 2019 revaluation to July 18, 2019)	-	-	(1,998)
Transfer to share premium upon redomicile	-	-	(6,940)
Balance as at September 30, 2019	390,250	24,999,299	$ -

The following table presents the weighted average Black-Scholes inputs used to fair value the warrants at issuance and revaluation dates as follows:

	Issued During Q1 2019	**March 31, 2019 Revaluation**	**June 30, 2019 Revaluation**	**July 18, 2019 Revaluation**	**Issued During 2018**	**December 31, 2018 Revaluation**
Risk-free interest rate	1.83%	1.50%	1.42%	1.42%	1.05%	1.05%
Expected life of warrants (in years)	5.0	4.0	3.8	3.8	3.0	2.5
Annualized volatility	88%	87%	75%	70%	75%	75%
Share price	$0.20	$0.79	$0.53	$0.45	$0.24	$0.20
Exercise price	$0.25	$0.28	$0.28	$0.28	$0.35	$0.35
Fair value of warrants granted	$0.13	$0.61	$0.36	$0.28	$0.10	$0.06
Forfeiture and dividend rate	-	-	-	-	-	-

There were no warrants issued in the three-month period ended September 30, 2019

(Expressed in thousands, except share numbers and per share amounts)

9. RELATED PARTIES

The following transactions were recorded at the consideration established and agreed to by the related parties.

Key management personnel compensation

Key management personnel include directors and officers of the Company, with compensation consisting of the following:

	Three-months ended September 30				Nine-months ended September 30			
		2019		2018		2019		2018
Salaries and short-term employee benefits (1)	$	82	$	53	$	184	$	131
Share-based compensation		30		-		280		52
Other compensation (2)		270		54		753		118
	$	382	$	107	$	1,217	$	301

(1) Amounts paid to the Company's President and COO in the current period, as well as the former President and CEO and Executive Chairman in the comparative period.
(2) Amounts paid to the Company's Executive Chairman, CEO, CFO, Corporate Secretary and Vice President of Investor Relations through its joint operations (shared services company), as well as amounts paid to J. Proust and Associates Inc. for CFO and corporate secretarial services in both the current and comparative nine-month periods.

Related party transactions

Related party transactions include the following payments which were made to related parties other than key management personnel:

	Three-months ended September 30				Nine-months ended September 30			
		2019		2018		2019		2018
Management support services (3)	$	131	$	21	$	303	$	63
Other (6)		-		1,400		1,000		1,784
Share-based compensation		10		-		23		5
	$	141	$	1,421	$	1,326	$	1,852

(3) The Company has an interest in one joint operation (a shared management services company - 688284 BC Ltd) that provides finance, management, accounting and administrative services to Tethyan and other companies which have directors in common. Amounts presented relate to the Company's share of joint operations including office leases, support staff and other operational costs. Comparative figures include amounts paid to J. Proust & Associates Inc. for administrative services, not related to key management personnel.

Payable to related parties

As at September 30, 2019 and December 31, 2018 the following amounts were payable to related parties.

	September 30 2019		December 31 2018	
Loan from Southern Arc (4)	$	-	$	131
Management support services (5)		-		15
Other (6)		-		1,000
	$	-	$	1,146

(4) On December 30, Southern Arc, a company with two directors in common with the Company (at the time) loaned $125 (£75) plus a financing expense of 5%, this amount is included in the December 31, 2018 amount payable. The loan was settled on January 31, 2019.
(5) Fees were owed to J. Proust & Associates Inc. for finance, accounting and administrative services as at December 31, 2018.
(6) Five million common shares of the Company were issued to Dr. Radomir Vukcevic, the Company's Executive Director and Vice President Development, in relation to the Taor d.o.o. acquisition (Note 7 b) in the first quarter of 2019. Seven million shares and €250 in cash ($329) was exchanged / paid on closing.

(Expressed in thousands, except share numbers and per share amounts)

9. RELATED PARTIES (continued)

On January 12, 2018, Dr. Michael Andrews, a then director of the Company (until his resignation in April of 2019) loaned the Company £350 or approximately $600 (the "Loan"). The Loan was non-interest bearing and was to mature on the earlier of 6 months from the date of the loan or 5 days following the date on which the Company raised in excess of £1,000 by way of an equity or debt financing with a third party. On June 29, 2018, the Company settled the loan in consideration for 2,450,000 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 $0.35 per share for a period of three years from June 29, 2018.

On November 15, 2017, Southern Arc Minerals Inc. ("Southern Arc"), a company with 2 directors in common with the Company (until early 2019) advanced $400 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. The value of the conversion feature was not considered material at the date of issuance. On June 29, 2018 the Company settled its $400 convertible debenture in consideration for 1,600,000 units of the Company on completion of the transaction described in Note 7(b). 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 $0.35 per share for a period of three years. During 2018, Southern Arc exercised 45,051 of the warrants it received in exchange for settlement of accrued interest owed to Southern Arc related to the loan in November of 2018.

10. CONTINGENT LIABILITIES

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

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

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

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

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

11. COMMITMENTS

As at September 30, 2019 and December 31, 2018, the Company had the following undiscounted contractual operating lease obligations:

As at		September 30 2019		December 31 2018
2019	$	21	$	60
2020		54		20
2021		18		19
2022		18		19
2023 and beyond		30		32
	$	**141**	**$**	**150**

12. FINANCIAL INSTRUMENTS

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

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

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

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

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

As at September 30, 2019, the Company held net financial assets of $9 in GBP, $31 in Euro and net financial liability of $108 in Serbian Dinars. A 5% change in exchange rates would change net loss by $3.

Fair value

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

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

The derivative liability is measured at fair value using Level 2 inputs. The carrying values of the Company's cash and cash equivalents, receivables and deposits, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

13. CAPITAL MANAGEMENT

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

The Company currently does not earn any revenue and has relied on existing cash balances, related party loans and equity financing to fund its operations. The Company is currently not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management in the three and nine-month periods ended September 30, 2019.

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY

Upon the share exchange pursuant to the scheme of arrangement described in Note 1, the Company changed its presentation currency and adopted the Canadian Dollar instead of the British Pound. The functional currencies of the underlying entities have not been changed.

The accounting policy change to the Company's presentation currency, has been applied retrospectively for the preparation of comparative statements as follows:

- Statements of Financial Position as at January 1, 2018 and December 31, 2018;
- Statements of Loss and Comprehensive Loss for the three and nine month periods ended September 30, 2018; and
- Statements of Cash Flows for the three and nine month periods ended September 30, 2018.

The comparatives in the interim condensed consolidated financial statements are represented in Canadian Dollars using the procedures outlined below.

- Assets and liabilities at the closing exchange rate of that balance sheet date;
- Income and expenses using the average exchange rate during the period;
- Equity items at historical Canadian Dollar cost; and
- Exchange differences arising upon translation are recorded in Currency translation reserve.

A supplementary balance sheet as at January 1, 2018 has been presented, without the related notes, except for the disclosures required in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Management made the determination that adopting the Canadian Dollar as the presentation currency of the Company would result in more relevant information related to the financial performance of the Company and a clearer understanding of the Company's performance to shareholders and investors over time. Presenting financial results in Canadian Dollars improves the transparency of where capital invested by shareholders was used in the operation of the Company.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Financial Position – as at January 1, 2018

As at January 1, 2018		As previously reported	Effect of policy change [1]		Restated under new policy
Assets					
Current assets					
Cash and cash equivalents	£	57	39	$	96
Receivables, deposits and prepayments		118	82		200
		175	121		296
Non-current assets					
Property, plant and equipment		43	29		72
Total assets	£	218	150	$	368
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	£	313	220	$	533
Loan from related party		238	165		403
Total liabilities		551	385		936
Shareholders' equity (deficiency)					
Share capital		3,933	3,273		7,206
Share premium		27,784	22,898		50,682
Share-based payment reserve		924	931		1,855
Currency translation reserve		(50)	3,615		3,565
Own shares held reserve		(71)	(57)		(128)
Deficit		(32,853)	(30,895)		(63,748)
Total shareholders' equity (deficiency)		(333)	(235)		(568)
Total liabilities and shareholders' equity	£	218	150	$	368

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company's presentation currency.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Financial Position – as at December 31, 2018

As at December 31, 2018		As previously reported	Effect of policy change [1]		Restated under new policy
Assets					
Current assets					
Cash and cash equivalents	£	75	55	$	130
Receivables, deposits and prepayments		95	70		165
Deferred share issuance costs		26	20		46
		196	145		341
Non-current assets					
Property, plant and equipment		40	30		70
Exploration and evaluation assets		1,588	1,174		2,762
Total assets	£	1,824	1,349	$	3,173
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	£	462	340	$	802
Advance on share subscription		175	129		304
Loan from related party		75	56		131
		712	525		1,237
Non-current liabilities					
Derivative liabilities		264	197		461
Total liabilities		976	722		1,698
Shareholders' equity (deficiency)					
Share capital		4,066	3,370		7,436
Share premium		30,097	24,766		54,863
Share-based payment reserve		1,639	1,455		3,094
Currency translation reserve		(10)	3,438		3,428
Own shares held reserve		(71)	(57)		(128)
Deficit		(34,873)	(32,345)		(67,218)
Total shareholders' equity		848	627		1,475
Total liabilities and shareholders' equity	£	1,824	1,349	$	3,173

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company's presentation currency.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Loss and Comprehensive Loss – three-month period ended September 30, 2018

Three-month period ended September 30, 2018	**As previously reported**	**Effect of policy change [1]**	**Restated under new policy**
Expenses			
Consulting	£ 37	28	$ 65
Depreciation	-	-	-
Director fees	-	-	-
Filing and regulatory	8	6	14
Foreign exchange gain	(3)	(6)	(9)
Exploration and evaluation expenditure	133	94	227
Office and administrative	53	38	91
Professional fees	38	26	64
Salaries	111	78	189
Share-based compensation	114	81	195
Travel	16	13	29
Loss before other items	507	358	865
Other items			
Finance expense	-	-	-
Net loss for the period	507	358	865
Other comprehensive loss			
Exchange difference on translation of foreign currency	14	109	123
Total comprehensive loss for the period	£ 521	467	$ 988
Loss per share			
Basic and diluted (loss) per share	£ (0.01)		$ (0.02)
Weighted-average number of shares outstanding (‘000)	44,598		44,598

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company’s presentation currency.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Loss and Comprehensive Loss – nine-month period ended September 30, 2018

Nine-month period ended September 30, 2018		**As previously reported**	**Effect of policy change [1]**		**Restated under new policy**
Expenses					
Consulting	£	173	130	$	303
Depreciation		3	2		5
Director fees		4	3		7
Filing and regulatory		33	25		58
Foreign exchange gain		(43)	(35)		(78)
Exploration and evaluation expenditure		346	248		594
Office and administrative		228	165		393
Professional fees		219	163		382
Salaries		233	165		398
Share-based compensation		168	121		289
Travel		62	45		107
Loss before other items		1,426	1,032		2,458
Other items					
Finance expense		6	4		10
Net loss for the period		1,432	1,036		2,468
Other comprehensive loss					
Exchange difference on translation of foreign currency		(18)	268		250
Total comprehensive loss for the period	£	1,414	1,304	$	2,718
Loss per share					
Basic and diluted (loss) per share	£	(0.04)		$	(0.07)
Weighted-average number of shares outstanding (‘000)		35,021			35,021

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company’s presentation currency.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Cash Flows – three-month period ended September 30, 2018

Three-month period ended September 30, 2018		**As previously reported**	**Effect of policy change[1]**		**Restated under new policy**
Cash flows used in operating activities					
Net loss for the period	£	(507)	(358)	$	(865)
Adjustments for:					
Depreciation		-	-		-
Finance Expense		-	-		-
Share-based compensation		114	81		195
Changes in non-cash working capital items					
Amounts receivable, deposits and prepayments		(30)	(17)		(47)
Accounts payable and accrued liabilities		(37)	87		50
Net cash used in operating activities		(460)	(207)		(667)
Cash flows used in investing activities					
Exploration and evaluation capitalized		(92)	(116)		(208)
Net cash used in investing activities		(92)	(116)		(208)
Cash flows from financing activities					
Loans from related parties		-	-		-
Proceeds, common shares issued (private placements); net of share issuance costs		822	599		1,421
Net cash provided by financing activities		822	599		1,421
Change in cash and cash equivalents during the period		270	276		546
Effect of foreign exchange on cash		(10)	(113)		(123)
Cash and cash equivalents, beginning of period		83	61		144
Cash and cash equivalents, end of period	£	335	232	$	567

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company's presentation currency.

(Expressed in thousands, except share numbers and per share amounts)

14. CHANGE IN ACCOUNTING POLICY – PRESENTATION CURRENCY (continued)

Statement of Cash Flows – nine-month period ended September 30, 2018

Nine-month period ended September 30, 2018		As previously reported	Effect of policy change(1)		Restated under new policy
Cash flows used in operating activities					
Net loss for the period	£	(1,432)	(1,036)	$	(2,468)
Adjustments for:					
Depreciation		3	2		5
Finance Expense		6	4		10
Share-based compensation		168	121		289
Changes in non-cash working capital items					
Amounts receivable, deposits and prepayments		1	4		5
Accounts payable and accrued liabilities		(159)	(1)		(160)
Net cash used in operating activities		(1,413)	(906)		(2,319)
Cash flows used in investing activities					
Exploration and evaluation capitalized		(203)	(194)		(397)
Net cash used in investing activities		(203)	(194)		(397)
Cash flows from financing activities					
Loans from related parties		350	250		600
Proceeds, common shares issued (private placements); net of share issuance costs		1,534	1,303		2,837
Net cash provided by financing activities		1,884	1,553		3,437
Change in cash and cash equivalents during the period		268	453		721
Effect of foreign exchange on cash		10	(260)		(250)
Cash and cash equivalents, beginning of period		57	39		96
Cash and cash equivalents, end of period	£	335	232	$	567

(1) Effect of policy change is a numerical value only, representing the foreign exchange difference between GBP and CAD, resulting from the adoption of CAD as the Company's presentation currency.