TETHYAN RESOURCE CORP

(Tethyan Resources Plc to July 18, 2019)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND DECEMBER 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Tethyan Resource Corp (formerly Tethyan Resources Plc.)

Opinion

We have audited the consolidated financial statements of Tethyan Resource Corp (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2019, December 31, 2018, and January 1, 2018;
- the consolidated statements of loss and comprehensive loss for the years ended December 31, 2019 and December 31, 2018;
- the consolidated statements of cash flows for the years ended December 31, 2019 and December 31, 2018;
- the consolidated statements of changes in equity for the years ended December 31, 2019 and December 31, 2018; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, December 31, 2018, and January 1, 2018, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 2019 and December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has not earned revenues or cash flow from operations and has incurred net losses in the current and prior year. As stated in Note 1 in the financial statements, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indication that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is James Barron, CPA, CA.

Vancouver, Canada

April 8, 2020

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

As at	Notes		December 31 2019		December 31 2018		January 1 2018
					Restated – see Note 16		*Restated – see Note 16*
Assets							
Current assets							
Cash and cash equivalents		$	1,478	$	130	$	96
Receivables, deposits and prepayments			76		165		200
Deferred share issuance costs			-		46		-
			1,554		341		296
Non-current assets							
Equipment	4		51		70		72
Right-of-use assets	5		255		-		-
Exploration and evaluation assets	6		2,732		2,762		-
Total assets		$	4,592	$	3,173	$	368
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities		$	211	$	802	$	533
Advance on share subscription			-		304		-
Current portion of lease liabilities	5		150		-		-
Loan from related party	9		-		131		403
			361		1,237		936
Non-current liabilities							
Lease liabilities	5		121		-		-
Derivative liabilities	8		-		461		-
Total liabilities			482		1,698		936
Shareholders' equity (deficiency)							
Share capital	7		69,346		7,436		7,206
Share premium	7		-		54,863		50,682
Share-based payment reserve	7		9,286		3,094		1,855
Currency translation reserve			3,455		3,428		3,565
Own shares held reserve	7		(128)		(128)		(128)
Deficit			(77,849)		(67,218)		(63,748)
Total shareholders' equity (deficiency)			4,110		1,475		(568)
Total liabilities and shareholders' equity		$	4,592	$	3,173	$	368

Nature of operations and going concern	1
Contingent liabilities	11
Subsequent events	15

On behalf of the Board of Directors

" Donald Taylor" Director *" Fabian Baker"* Director

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

TETHYAN RESOURCE CORP - *(Tethyan Resources Plc to July 18, 2019)*
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands, except per share amounts)

	Notes		Twelve months ended December 31, 2019		Twelve months ended December 31, 2018
					Restated – see Note 16
Expenses					
Consulting		$	195	$	150
Depreciation	4,5		265		5
Director fees			-		7
Exploration and evaluation expenditure	6		2,597		1,815
Filing and regulatory			132		60
Foreign exchange (gain) loss			7		(50)
Office and administrative	9		1,353		657
Professional fees			727		334
Project investigation			65		-
Salaries			433		296
Share-based compensation	7		390		284
Travel			177		144
Loss before other items			6,341		3,702
Other items					
Finance expense	5		40		31
(Gain) loss on change in fair value of derivative liability	8		4,250		(263)
			4,290		(232)
Net loss for the year			10,631		3,470
Other comprehensive loss					
Exchange difference on translation of foreign subsidiaries			(27)		137
Total comprehensive loss for the year		$	10,604	$	3,607
Loss per share					
Basic and diluted loss per share		$	(0.14)	$	(0.09)
Weighted-average number of shares outstanding (‘000)			76,326		39,532

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

(Expressed in thousands)

	Notes	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
			Restated – see Note 16
Cash flows used in operating activities			
Net loss for the year		$ (10,631)	$ (3,470)
Adjustments for:			
Depreciation	4, 5	265	5
Finance expense	5	40	31
Finance expense paid		-	(6)
(Gain) loss on change in fair value of derivative liability	8	4,250	(263)
Share-based compensation	7	390	284
Unrealized foreign exchange loss		(1)	46
Changes in non-cash working capital items			
Amounts receivable, deposits and prepayments		85	41
Accounts payable and deferred liabilities		(370)	180
Net cash used in operating activities		(5,972)	(3,152)
Cash flows used in investing activities			
Purchase of equipment	4	(29)	-
Exploration and evaluation capitalized		-	(482)
Net cash used in investing activities		(29)	(482)
Cash flows from (used in) financing activities			
Advance on share subscription	7	-	302
Loans from related parties	9	(129)	736
Payment of lease liabilities	5	(246)	-
Proceeds, common shares issued (private placements); net of share issuance costs	7	7,403	2,787
Proceeds from common shares issued from exercise of stock options and warrants	7	436	-
Net cash provided by financing activities		7,464	3,825
Change in cash and cash equivalents during the year		1,463	191
Effect of foreign exchange on cash		(115)	(157)
Cash and cash equivalents, beginning of year		130	96
Cash and cash equivalents, end of year		$ 1,478	$ 130

Supplementary information		
Non-cash transactions		
Acquisition of exploration and evaluation assets for shares	$ -	$ 2,280
Shares issued on conversion of loans from related	-	875
Warrants exercised in exchange for settlement of interest owed to a related party	-	15
Issue of shares to settle Taor acquisition from 2018	550	-

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

(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 16)*	$ 7,206	$ 50,682	$ 1,855	$ 3,565	$ (128)	$ (63,748)	$ (568)
Shares subscribed for private placement, net of issue costs	116	2,671	-	-	-	-	2,787
Warrants fair value	-	(599)	-	-	-	-	(599)
Shares issued as part of Taor acquisition – Note 6(b)	73	1,252	955	-	-	-	2,280
Shares issued for debt settlement	41	842	-	-	-	-	883
Shares issued on warrants exercised	-	15	-	-	-	-	15
Share-based compensation	-	-	284	-	-	-	284
Net loss for the year	-	-	-	-	-	(3,470)	(3,470)
Foreign currency translation	-	-	-	(137)	-	-	(137)
As at December 31, 2018 *(Restated – see Note 16)*	7,436	54,863	3,094	3,428	(128)	(67,218)	1,475
Shares subscribed for private placement, net of issue costs	210	7,493	-	-	-	-	7,703
Fair value of warrants included in private placement	26	(2,304)	-	-	-	-	(2,278)
Shares issued as finder's fees	7	41	-	-	-	-	48
Shares issued as part of Taor acquisition – Notes 6(b)	51	904	(955)	-	-	-	-
Shares issued on warrants and options exercised	19	600	(183)	-	-	-	436
Derivative liability transferred to equity upon redomicile	-	-	6,940	-	-	-	6,940
Deferred shares cancellation - Note 7	(6,859)	6,859	-	-	-	-	-
Share exchange on redomiciling - Note 7	68,456	(68,456)	-	-	-	-	-
Share-based compensation	-	-	390	-	-	-	390
Net loss for the year	-	-	-	-	-	(10,631)	(10,631)
Foreign currency translation	-	-	-	27	-	-	27
As at December 31, 2019	$ 69,346	$ -	$ 9,286	$ 3,455	$ (128)	$ (77,849)	$ 4,110

The accompanying notes are an integral part of these consolidated 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 consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated any revenues or cash flows from operations to date. For the year ended December 31, 2019, the Company incurred negative cash flows from operations of $5,972 and recorded a net loss of $10,631 (December 31, 2018 $3,152 and $3,470).

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. Furthermore, subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company's business are not known at this time. These impacts could include an impact on the Company's ability to obtain debt and equity financing to fund ongoing exploration activities as well as our ability to explore and conduct business. These conditions result in material uncertainties that may cast substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments that are measured at fair value, as explained in the accounting policies and methods of application set out below. These consolidated financial statements were approved for issuance by the Company's Board of Directors on April 7, 2020.

Basis of consolidation

These 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 December 31, 2019	Ownership Percentage December 31, 2018	Location	Functional Currency
Tethyan Resources Limited (Plc previously) *(Limited Company after redomicile)*	100%	100%	England	GBP
Tethyan Resources Jersey Ltd.	100%	100%	Jersey	GBP
Tethyan Resources d.o.o.	100%	100%	Serbia	RSD
Global Mineral Resources d.o.o.	100%	100%	Serbia	RSD
Taor d.o.o.	100%	100%	Serbia	RSD
Tethyan Resources Bulgaria EOOD	100%	100%	Bulgaria	BGN
Kosovo Resource Company	95%	95%	Kosovo	EUR

2. BASIS OF PRESENTATION (continued)

The Company consolidates subsidiaries where it has the ability to exercise control. Control over an investee is defined to exist when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

Functional and presentation currency

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 consolidated 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 judgement and estimates

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

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

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

- The Company's assessment of its ability to continue as a going concern requires judgments about whether sufficient financing will be obtained in the near term. See Note 1.
- The determination of a subsidiary's functional currency 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.
- The Company's determination that 688284 BC Ltd is a joint operation that should be proportionately consolidated.
- The judgements related to lessee accounting under IFRS 16 for early termination options (see Note 3).

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting standards

Effective January 1, 2019, the Company adopted IFRIC 23, *Uncertainty over Income Tax Treatments* (“IFRIC 23”) and IFRS 16, *Leases* (“IFRS 16”).

IFRIC 23 - *Uncertainty over Income Tax Treatments*

The Company adopted IFRIC 23 on January 1, 2019, with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 had no impact on the consolidated financial statements.

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. Operating lease payments under IAS 17 were recognized in profit or loss on a straight line basis over the lease term. Lease incentives under IAS 17 were recognized on a straight line basis over the term of the lease.

Judgement was applied adopting IFRS 16 to identify contracts within the scope of IFRS 16, early cancellation options, 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, discounted using a weighted average incremental borrowing 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
Effect of discounting using the January 1, 2019 weighted average incremental borrowing rate		132
Leases with less than 12 months of lease term at transition		(30)
Leases with 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of significant accounting policies

Presentation currency

These consolidated financial statements are presented in Canadian Dollars ("$" or "CAD").

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 16 for the impact that the presentation currency change had on the financial statements of the Company.

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

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company or its subsidiaries at the foreign exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate in effect on that date. Non-monetary assets denominated in foreign currency and carried at fair value are translated at the foreign exchange rate in effect on the statement of financial position date. Foreign exchange differences arising on translation are recognized in profit or loss.

Business combinations

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

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

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

Joint arrangements

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 its assets, liabilities and transactions, including its share of those held or incurred jointly by 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Tethyan became a party to a joint operation on February 1, 2019. The 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 is based on the amount of management services company time spent on each party to the joint operation.

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

Exploration and evaluation costs

Exploration and evaluation expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration, including those incurred through joint operations. Costs incurred prior to obtaining a legal right to explore, including costs incurred pursuant to option or earn in agreements pursuant to which the Company will acquire an exploration license or right if it completes certain milestones and activities, are expensed as exploration and evaluation expenditures. Costs incurred to acquire a legal right to explore a property, defined by the Company as ownership of a mining licence, are recognized as exploration and evaluation assets. All other exploration and evaluation expenditures, including option payments, are expensed until such time as the technical and commercial feasibility of the project has been established and a decision to develop the mineral interest has been made by the Board of Directors. Exploration and evaluation expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on equipment used during the exploration phase. They also include certain administrative costs that are allocated to the extent that those costs can be attributable directly to exploration and evaluation activities.

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

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

Equipment

Furniture, computers, and field equipment are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets currently estimated to be four years.

Rehabilitation provision

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

The Company does not currently have material rehabilitation requirements.

Impairment testing of non-financial assets

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

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

Financial instruments

Amounts receivable are not interest bearing and are recognised initially at their fair value plus transaction costs and subsequently at amortised cost. The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial assets has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the twelve month expected credit losses. For trade receivables, the Company applies the simplified approach to providing for expected credit losses, which allows the use of lifetime expected loss provision.

Cash and cash equivalents include cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are recognized initially at fair value and subsequently at amortized cost.

Trade and other payables are not interest bearing and are recognised initially at their fair value less transaction costs and subsequently at amortised cost.

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The Company's derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognized in profit or loss. As the exercise price of certain of the Company's share purchase warrants were in CAD, and the functional currency of the Company prior to July 18, 2019 was the GBP, these warrants were considered a derivative as a variable amount of cash in the Company's functional currency would have been received on exercise. Accordingly, these share purchase warrants were classified and accounted for as a derivative liability until July 18, 2019. Subsequent to the completion of the scheme of arrangement on July 18, 2019 as described in Note 1, these warrants are exercisable into shares of New Tethyan whose functional currency is CAD. Accordingly, these warrants are no longer derivatives subsequent to July 18, 2019 and the carrying amount of the derivative liability was reclassified to the share-based payment reserve.

Employee benefits

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

Share-based payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 reduced the lease liability by 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share capital

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

Income tax

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

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

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

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

Comparative amounts

Certain comparative amounts in the 2018 consolidated statement of loss and comprehensive loss have been reclassified to conform with the current year's presentation (see Note 16).

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. EQUIPMENT

Cost		
January 1, 2018 and December 31, 2018	$	114
Additions for the year		29
Impact of foreign exchange		1
December 31, 2019	$	144
Accumulated depreciation		
January 1, 2018	$	(42)
Depreciation for the year		(5)
Impact of foreign exchange		3
December 31, 2018	$	(44)
Depreciation for the year		(43)
Impact of foreign exchange		(6)
December 31, 2019	$	(93)
Net book value		
January 1, 2018	$	72
December 31, 2018	$	70
December 31, 2019	$	51

5. LEASES

Right-of-use assets

	Note		Total
January 1, 2019	3	$	60
Additions for the year [(1)]			641
Changes to lease terms (joint operations)[(1)]			(224)
Depreciation for the year			(222)
December 31, 2019		$	255

(1) Includes proportional share of joint operation right-of use assets and changes to rights-of-use based on usage allocation – shared office space. Changes to lease obligations resulting from changes to amounts attributable to the Company are reflected in changes to lease terms.

Lease liabilities

	Note		Total
January 1, 2019	3	$	60
Additions for the year [(1)]			641
Lease payments for the year			(246)
Changes to lease terms (joint operations)			(224)
Interest on lease liabilities			40
December 31, 2019		$	271
Less current portion			150
Non-current lease liabilities			121

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

The lease liabilities were recognized using a weighted average incremental borrowing rate of 7.3%.

For the year ended December 31, 2019 $43 of payments related to short-term leases were recognized in the consolidated statement of loss ($29 – year ended December 31, 2018, including $19 related to leases which have now been recognized in the statement of financial position).

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

6. EXPLORATION AND EVALUATION

ASSETS – Exploration Licenses

	Raska (a)	Taor (b)	Gokanica (c)	Other	Total
January 1, 2018	$ -	$ -	$ -	$ -	$ -
2018 additions	-	2,757	-	-	2,757
2018 foreign currency impact	-	5	-	-	5
December 31, 2018	$ -	$ 2,762	$ -	$ -	$ 2,762
2019 foreign currency impact	-	(30)	-	-	(30)
December 31, 2019	$ -	$ 2,732	$ -	$ -	$ 2,732

EXPENDITURES

Exploration and evaluation expenditures for the years ended December 31, 2019 and 2018**:**

	December 31, 2019				December 31, 2018			
	Raska (a)	Taor (b)	Other	Total	Raska (a)	Taor (b)	Other	Total
Drilling	$ 828	$ 113	$ -	$ 941	$ 472	$ -	$ -	$ 472
Drilling consumables and other	33	24	-	57	82	-	-	82
Geochemistry	222	23	-	245	213	-	139	352
Geological reports	7	4	-	11	69	-	-	69
General exploration and consulting	895	36	-	931	573	-	-	573
Geophysics	41	2	-	43	87	-	-	87
Licenses	232	18	41	291	176	-	-	176
Surveying	-	-	4	4	4	-	-	4
Travel and logistics	74	-	-	74	-	-	-	-
	$ 2,332	$ 220	$ 45	$ 2,597	$ 1,676	$ -	$ 139	$ 1,815

(a) Raska

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 Raska 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:

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

6. EXPLORATION AND EVALUATION (continued)

Option agreement milestones		**Cash Payments**	**Meters Drilled**	**Project Evaluation**	**Ownership Interest**
Completed:					
As at December 31, 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 Raska 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. As a result of the transaction, Dr. Vukcevic became a director of the Company. Taor holds two exploration licenses totaling approximately 100 square kilometers situated adjacent to the Raska license. Pursuant to the agreement, the Company"

- Issued 7,000,000 ordinary shares of the Company and paid €125 in cash on closing of the Transaction, valued at $0.19 per share, being the trading price of the Company's ordinary shares on the closing date;
- Paid €125 in cash, three months after the closing of the Transaction; and
- Issued 5,000,000 ordinary shares of the Company on January 30, 2019. These shares were subject to a lockup period of twelve months following their issue, during which these shares could not be transferred.

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*	$	387
Shares issued	*12,000,000 x $0.19 (share price on closing date)*		2,280
Transaction cost incurred			90
Total consideration		$	2,757

(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 December 31, 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 December 31, 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		Number of shares		Number of shares			
As at January 1, 2018	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	2,671
Warrants fair value	-	-	-	-	-	-	-	(599)
Shares issued for Taor acquisition – Note 6(b)	7,000,000	73	-	-	-	-	73	1,252
Shares issued for loan conversion	4,050,000	41	-	-	-	-	41	842
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	210	-	-	-	-	210	7,493
Warrants fair value	-	26	-	-	-	-	26	(2,304)
Shares issued as finder's fees	700,000	7	-	-	-	-	7	41
Shares issued for Taor acquisition – Note 6(b)	5,000,000	51	-	-	-	-	51	904
Shares issued for exercise of warrants and stock options	1,547,120	19	-	-	-	-	19	600
Deferred shares Cancellation – Note 7	-	-	(368,716,729)	(6,092)	(89,193,163)	(767)	(6,859)	6,859
Share exchange on redomiciling	-	68,456	-	-	-	-	68,456	(68,456)
As at December 31, 2019	80,432,732	69,346	-	-	-	-	69,346	-

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 5,213,500 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. The Company recognized the initial fair value of the private placement warrants of $282 and the finders' warrants of $10 as a derivative liability (Note 8).

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 9).

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 director of the Company at the time, 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. The Company recognized the fair value of the private placement warrants of $275 and the finders' warrants of $28 as a derivative liability (Note 8).

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"), a private company beneficially owned by Mr. Richard Warke, the Company's Executive Chairman, 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. The Company recognized the fair value of the private placement warrants of $2,164 and the finders' warrants of $91 as a derivative liability (Note 8).

During the year ended December 31, 2018, Augusta advanced $300 to the Company without interest in anticipation of the non-brokered private placement detailed above. The advance was settled through the issuance of the units above.

On January 30, 2019, the Company issued the final 5,000,000 ordinary shares for the Taor Acquisition, see Note 6(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 purchased 1,250,000 ordinary shares and invested $1,000.

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. The carrying value of these shares of $6,859 was transferred to share premium.

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. All outstanding options and warrants became exercisable for shares of the Company at their original exercise prices.

During the year ended December 31, 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 $436.

(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)	0.42	-
Expired	(526,666)	0.52	-
Outstanding, December 31, 2018	3,680,000	0.27	3.22
Issued	4,050,000	0.52	4.35
Cancelled	(1,420,000)	0.46	-
Exercised (2)	(1,280,000)	0.27	-
Outstanding, December 31, 2019	5,030,000	0.42	3.34

(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.
(2) Weighted average fair value of shares on exercise date was $0.33.

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 December 31, 2019, the total number of share options outstanding was as follows:

	Outstanding			Exercisable	
Range of exercise prices $	Number of options	Weighted-average exercise price ($)	Weighted-average remaining contractual life (years)	Number of options	Weighted-average exercise price ($)
$0.25 (0.14p)	266,667	$ 0.25	1.97	266,667	$ 0.25
0.25 – 0.50	1,963,333	0.28	2.34	1,813,333	0.27
0.51 – 0.78	2,800,000	0.54	4.17	407,500	0.64
	5,030,000	$ 0.42	3.34	2,487,500	$ 0.33

During the year ended December 31, 2019, the Company recorded a share-based compensation expense of $390 (2018: $284) 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 the years ended December 31, 2019 and December 31, 2018.

	December 31 2019	December 31 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	2.48
Exercised	(45,051)	0.35	-
Expired	(17,593)	0.35	-
Outstanding, December 31, 2018	8,376,669	0.34	2.42
Issued	17,280,000	0.25	4.08
Exercised	(267,120)	0.35	-
Expired	(390,250)	0.22	-
Outstanding, December 31, 2019	24,999,299	0.28	3.28

Exercise period	Number of warrants	Weighted-average exercise price $	Weighted-average life remaining (years)
Exercisable until April 24, 2021	2,559,830	0.35	1.32
Exercisable until June 29, 2021	1,979,949	0.35	1.50
Exercisable until August 17, 2021	3,179,520	0.35	1.63
Exercisable until January 30, 2024	17,280,000	0.25	4.08
Outstanding December 31, 2019	24,999,299	0.28	3.28

(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 were fixed in $, and the functional currency of the Company was the GBP prior to July 18, 2019, these warrants were considered a derivative on issuance as a variable amount of cash in the Company's functional currency would have been received on exercise. Accordingly, these share purchase warrants were classified and accounted for as a derivative liability on issuance to July 18, 2019.

A continuity of the derivative liability is as follows:

Derivative liability warrants	Warrants not subject to revaluation	Warrants subject to revaluation (1)	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)	(1)
Expiry of warrants in 2018	(17,593)	-	-
Change in fair value (to December 31, 2018 revaluation)	-	-	(263)
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 2019	-	(267,120)	(26)
Change in fair value (to July 18, 2019 revaluation)	-	-	4,250
Transfer to share-based payment reserve upon redomicile	-	-	(6,940)
Expiry of warrants in 2019	(390,250)	-	-
Balance as at December 31, 2019	-	24,999,299	$ -

(1) July 18, 2019, the Canadian dollar became the functional currency of the Company and the warrants were no longer a derivative liability. Accordingly, the carrying value on that date was transferred to Share-based payment reserve.

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

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

(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:

Year ending		December 31 2019		December 31 2018
Salaries and short-term employee benefits (1)	$	249	$	184
Share-based compensation		345		228
Other compensation (2)		937		188
	$	1,531	$	600

(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:

Year ending		December 31 2019		December 31 2018
Payments to J. Proust & Associates	$	70	$	180
Payments made to joint operations (3)		1,328		-
Share based payments (6)		955		1,712
Other		33		5
	$	2,386	$	1,897

(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.

Payable to related parties

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

		December 31 2019		December 31 2018
Loan from Southern Arc (4)	$	-	$	131
Management support services (5)		22		15
Other (6)		-		955
	$	22	$	1,101

(4) On December 30, 2018, 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 688284 BC Ltd for finance, accounting and administrative services as at December 31, 2019 and to J. Proust & Associates Inc. for finance, accounting and administrative services as at December 31, 2018 and were included in accounts payable.
(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 6 b) in the first quarter of 2019. Seven million shares and €250 in cash ($387) was exchanged / paid on closing of the transaction in May 2018.

(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 6(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. INCOME TAXES

Tax expense for the periods differs from that resulting from applying the standard rate of corporation tax Canada for 2019 and United Kingdom for 2018 to net loss before tax are as follows:

Year ended		**December 31 2019**		**December 31 2018**
Income (loss) before income tax	$	(10,631)	$	(3,470)
Current tax rate		27%		19%
		(2,870)		(659)
Effects of:				
Non-deductible expenses		1,253		4
Difference in tax rates		597		234
Losses for which no tax benefit has been recognized		1,020		421
Income tax expense	$	-	$	-

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

As at		**December 31 2019**		**December 31 2018**
Cumulative tax losses – United Kingdom	$	16,926	$	13,438
Cumulative tax losses - Canada		679		-
Cumulative tax losses at the end of the year	$	17,605	$	13,438

Due to the relatively unsettled legal and tax codes in Serbia, the above unrecognized losses do not include losses of Serbian subsidiaries. The above deferred tax assets have not been recognized in these financial statements due to the uncertainty of timing future taxable income against which they can be recovered. These losses expire in years ranging from 2036 to 2039.

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

11. 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.

12. COMMITMENTS

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

As at	December 31 2019	December 31 2018
2019	$ -	$ 60
2020	167	20
2021	122	19
2022	27	19
2023 and beyond	32	32
	$ 348	**$ 150**

Should Tethyan no longer be a party to the joint arrangement, it is required under the agreement to payout its share of the remaining office lease obligations, which at December 31, 2019 would have been $222.

13. 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 these 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.

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

13. FINANCIAL INSTRUMENTS (continued)

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 December 31, 2019, the Company held net financial assets of $14 in GBP, $43 in Serbia Dinars and a net financial liability of $10 in Euros. A 5% change in exchange rates would change net loss by $2.

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.

14. CAPITAL MANAGEMENT

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

The Company currently does not earn any revenue and has relied on existing cash balances, related party loans and equity financing to fund its operations. The Company is currently not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management in the year ended December 31, 2019.

15. SUBSEQUENT EVENTS

On April 1, 2020, the Company announced it entered into an arms-length agreement to purchase EFPP d.o.o. ("EFPP"), a Serbian company that is the holder of two exploration licenses over the past-producing Kizevak and Sastavci silver-zinc-lead mines in the Raska district of Southwestern Serbia. The licences are contiguous with Tethyan's existing exploration rights. Closing of the transaction is subject to due diligence and TSX approval on or before April 15, 2020.

First closing of the acquisition requires a payment of €625 to the sellers for a 10% ownership stake in EFPP. At any time within 12 months of the first closing, the Company may acquire the remaining 90% ownership stake (second closing) by: making a payment of €1,375 to the sellers of EFPP, grant a 2% NSR over the licences, issue four million shares of Tethyan to the sellers in four equal tranches every six months commencing on second closing and to make a €500 payment on the two-year anniversary of the first closing.

On April 1, 2020, the Company announced the resignations of Mr. Richard Warke from the roles of Director and Executive Chairman of the Company and Professor Poonam Puri as a director of the Company.

16. 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;
- Statement of Loss and Comprehensive Loss for the year ended December 31, 2018;
  Certain comparative amounts in the 2018 consolidated statement of loss and comprehensive loss have been reclassified to conform to the current year's presentation.
- Statement of Cash Flows for the year ended December 31, 2018; and
- Statement of Changes in Equity for the year ended December 31, 2018.

The comparatives in the 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*.

The Company adopted the Canadian dollar as its presentation currency as a result of a number of factors:

- The Company redomiciled to Canada from the United Kingdom;
- Tethyan Resource Corp's functional currency is the Canadian dollar; and
- The Company delisted from the AIM in 2017 and the TSX.V is the primary stock exchange on which Tethyan's shares trade.

After considering the factors noted above, management determined that the Canadian dollar was the most relevant currency for Tethyan; therefore, the Company has chosen to present its financial statements in Canadian dollars.

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

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

Statement of Financial Position – as at January 1, 2018

	As previously reported	Effect of policy change (1)	Restated under new policy
Assets	£ GBP		$ CAD
Current assets			
Cash and cash equivalents	£ 57	39	$ 96
Receivables, deposits and prepayments	118	82	200
	175	121	296
Non-current assets			
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)

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

Statement of Financial Position – as at December 31, 2018

		As previously reported	Effect of policy change [1]		Restated under new policy
Assets		**£ GBP**			**$ CAD**
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					
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)

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

Statement of Loss and Comprehensive Loss – year ended December 31, 2018

		As previously reported	Effect of policy change (1)		Restated under new policy
Expenses		**£ GBP**			**$ CAD**
Consulting (2)	£	215	(65)	$	150
Depreciation		3	2		5
Director fees		4	3		7
Exploration and evaluation expenditure(2)(3)		866	949		1,815
Filing and regulatory		34	26		60
Foreign exchange gain		(28)	(22)		(50)
Office and administrative(2)		266	391		657
Professional fees		190	144		334
Salaries(3)		357	(61)		296
Share-based compensation		165	119		284
Travel		85	59		144
Loss before other items		2,157	1,545		3,702
Other items					
Finance expense		18	13		31
Gain on change in fair value of derivative liability		(155)	(108)		(263)
		(137)	(95)		(232)
Net loss for the year		2,020	1,450		3,470
Other comprehensive loss					
Exchange difference on translation of foreign subsidiaries		(40)	177		137
Total comprehensive loss for the period	£	1,980	1,627	$	3,607
Loss per share					
Basic and diluted loss per share	£	(0.05)		$	(0.09)
Weighted-average number of shares outstanding (‘000)		39,532			39,532

The following amounts in the 2018 consolidated statement of loss and comprehensive loss have been reclassified to conform to the current year’s presentation.

		As previously reported	Effect of policy change (1)		Restated under new policy		(2)		(3)		Current presentation
Consulting	£	215	157	$	372	$	(222)	$	-	$	150
Exploration and evaluation expenditure		866	613		1,479		23		313		1,815
Office and administrative		266	192		458		199		-		657
Salaries		357	252		609		-		(313)		296

(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.
(2) Office related consulting costs have been reclassified to Office and administrative, with exploration related consulting reclassified to Exploration and evaluation expenditure.
(3) Exploration related salaries have been reclassified to Exploration and evaluation expenditure from Salaries.

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

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

Statement of Cash Flows – year ended December 31, 2018

	As previously reported	Effect of policy change[(1)]	Restated under new policy
Cash flows used in operating activities	**£ GBP**		**$ CAD**
Net loss for the year	£ (2,020)	(1,450)	$ (3,470)
Adjustments for:			
Depreciation	3	2	5
Finance expense	18	13	31
Finance expense paid	(4)	(2)	(6)
Gain on change in fair value of derivative liability	(155)	(108)	(263)
Share-based compensation	165	119	284
Unrealized foreign exchange loss	27	19	46
Changes in non-cash working capital items			
Amounts receivable, deposits and prepayments	23	18	41
Accounts payable and accrued liabilities	122	58	180
Net cash used in operating activities	(1,821)	(1,331)	(3,152)
Cash flows used in investing activities			
Exploration and evaluation capitalized	(268)	(214)	(482)
Net cash used in investing activities	(268)	(214)	(482)
Cash flows from financing activities			
Advance on share subscription	175	127	302
Loans from related parties	425	311	736
Proceeds, common shares issued (private placements); net of share issuance costs	1,507	1,280	2,787
Net cash provided by financing activities	2,107	1,718	3,825
Change in cash and cash equivalents during the year	18	173	191
Effect of foreign exchange on cash	-	(157)	(157)
Cash and cash equivalents, beginning of year	57	39	96
Cash and cash equivalents, end of year	£ 75	55	$ 130

(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.

Statement of Changes in Equity – year ended December 31, 2018

Equity accounts as at September 6, 2017, (the listing date for the Company on the TSX-V) were translated from GBP to CAD at this historical exchange rate, with all subsequent transactions recorded at the exchange rate on the date of the issuance of shares. The share based payment reserve balance as at December 31, 2017 was translated from GBP to CAD using the exchange rate on December 31, 2017, with all subsequent transactions recorded at the exchange rate on the date of the transactions.