



TETHYAN RESOURCE CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND SIX MONTH PERIODS ENDED
JUNE 30, 2020**

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A"), prepared as of August 10, 2020, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Tethyan Resource Corp. ("Tethyan" or the "Company") for the three and six months ended June 30, 2020 and the audited consolidated financial statements for the year ended December 31, 2019 and related notes thereto, which have been prepared in accordance with interim Financial Reporting of International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian Dollars ("CAD" or "\$") and have been rounded to the nearest thousand, unless otherwise indicated. Additional information is available on the Company's website at www.tethyan-resources.com.

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

COMPANY OVERVIEW

Tethyan Resource Corp. (“Tethyan” or the “Company”) is a public company listed on the TSX Venture Exchange (“TSX.V”) under the symbol “TETH”. The Company is a junior mineral explorer with a focus on precious and base metals.

On July 18, 2019 via the completion of a scheme of arrangement Tethyan Resources Limited (previously Tethyan Resources Plc, herein “Old Tethyan”) became a wholly owned subsidiary of Tethyan Resource Corp., a company registered in British Columbia, Canada. (“New Tethyan”).

As part of the redomicile, Old Tethyan 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 continues to trade under the same stock symbol (TETH) on the TSX.V.

Tethyan is an active explorer for gold and base metals within the Tethyan Mineral Belt in Eastern Europe, primarily in Serbia. The Company’s flagship exploration projects are located in the Raška Municipality of Southern Serbia, and include the “Rudnica” project (a copper and gold porphyry target), and the “Kizevak” project (a silver-zinc-lead vein-type target). The Company also has early-stage ‘grassroots’ exploration projects including the “Zukovac” project in Eastern Serbia and the “Cernac” and “Bistrice” projects in Kosovo. See Property Review and Outlook section below for more details on our exploration projects and activities.

Tethyan Mineral Belt



The Company identified Serbia as part of a high potential region for the discovery of base and precious mineral deposits, due in part to its geological setting (part of the Tethyan Mineral Belt), which hosts numerous world class mineral deposits and the fact that the region has been under-explored using modern exploration techniques. The Western Tethyan Mineral Belt is the portion of the Tethyan Belt with the highest endowment of gold, copper, lead and zinc and it is also the area where Tethyan has chosen to focus its mineral exploration efforts. Tethyan’s land package totals more than 361 square kilometres, which surrounds several past producing mines.

To date, the Company has not generated revenues from operations and is considered to be in the exploration stage. The Company conducts its activities through wholly-owned subsidiaries, limited liability companies, partnerships and joint arrangements. For more detailed information regarding the Company’s exploration projects, please refer to the Company’s news releases, available under the Company’s profile at www.sedar.com or to the Company’s website at <https://www.tethyan-resources.com>.

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FINANCIAL SNAPSHOT

	June 30, 2020	December 31, 2019
Total assets	\$ 4,336	\$ 4,592
Working capital	\$ (1,544)	\$ 1,193
Net loss	\$ 1,314	\$ 10,631
Basic and diluted loss per share	\$ 0.02	\$ 0.14

RECENT EVENTS – FINANCING AND CORPORATE ACTIVITIES

The proposed acquisition of Tethyan Resource Corp by Adriatic Metals Plc. (“Adriatic”), conditional on receiving all necessary approvals within the indicative timeline, is expected to be completed by the end of September 2020. On closing of the transaction, Tethyan will apply to delist its shares from the TSX.V and cease to be a reporting issuer in all jurisdictions in Canada. Adriatic is a dual listed (ASX and LSE) precious and base metals explorer and developer with projects in Bosnia and Herzegovina. Tethyan and Adriatic’s websites each contain a presentation outlining the basis for the proposed transaction.

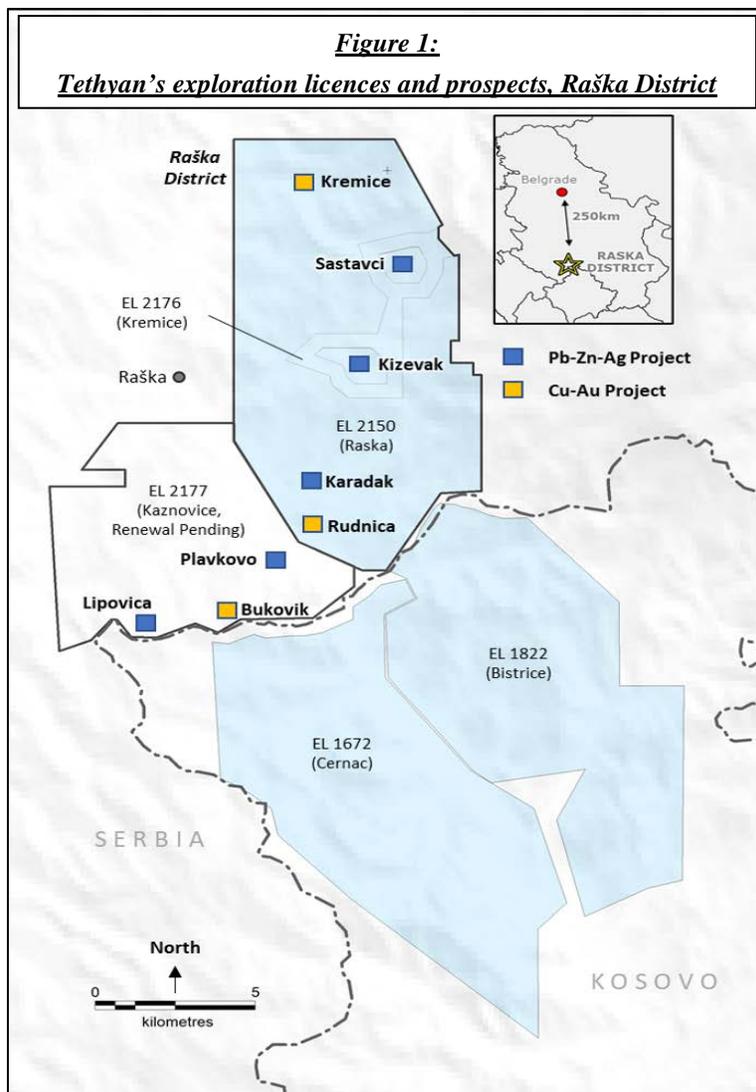
On May 14, 2020 the first closing of the EFPP d.o.o. (“EFPP”) acquisition was completed with a payment of €625 (\$954) to the shareholders of EFPP (“Sellers”) for a 10% ownership stake in EFPP.

On May 10, 2020, the Company entered into a binding letter agreement, followed by an arrangement agreement on June 12, 2020 with Adriatic, pursuant to which among other things, Adriatic will acquire all of the issued and outstanding common shares of the Company by way of a plan of arrangement, subject to shareholder, court and regulatory approvals. If approved, Tethyan shareholders shall receive 0.166 Adriatic common shares for every one Tethyan common share. Adriatic also entered into a convertible loan agreement with the Company for up to €1,300 and has advanced €1,000 to be used to complete the acquisition of 10% of EFPP and fund certain exploration work programs. The loan bears interest from the date on which the agreement for the acquisition of Tethyan by Adriatic is terminated at a rate of 10% per annum compounded monthly and includes a right for Adriatic to convert all or part of the amounts outstanding into Tethyan common shares at a conversion price of \$0.15 per share, provided that any conversion to shares of accrued interest owing is at the market price on the day immediately preceding any conversion date. Amounts payable to Adriatic in Euros under the loan agreement will be converted to Canadian dollars at a rate of 1.51 Canadian dollars per Euro. Shares issued in connection with the convertible loan agreement, will be subject to a four month plus one day hold period. The acquisition agreement contains non-solicitation and right to match provisions, with a break fee of \$700 plus costs of Adriatic up to \$150 payable by Tethyan to Adriatic under certain circumstances and \$350 payable by Adriatic to Tethyan under limited circumstances.

On April 1, 2020, the Company announced it entered into an arms-length agreement to purchase EFPP d.o.o., 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 was subject to due diligence and TSX approval on or before April 15, 2020. First closing of the acquisition required 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 to the Sellers, 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. Also 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.

PROPERTY REVIEW AND OUTLOOK

Tethyan has projects in Serbia, near the city of Raška which has excellent infrastructure, skilled workforce and strong local support for mining. The Company’s main exploration licences in the Raška Mining District are illustrated below (Figure 1):



Exploration licence	Targets
Raska – exploration licence (Serbia) – under option	Rudnica copper-gold porphyry Kremice gold-copper porphyry
Taor – exploration licences (Serbia)	
<ul style="list-style-type: none"> Kaznovice – exploration licence – 100% owner 	Lipovica silver -lead- zinc Plavkovo gold-copper
<ul style="list-style-type: none"> Kremice – exploration licence – 100% owner 	Kizevak silver-lead-zinc Sastavci gold-silver-zinc
EFPP – exploration licences (Serbia)	
<ul style="list-style-type: none"> Kizevak – exploration licence – 10% owner Sastavci – exploration licence – 10% owner 	Kizevak silver-lead-zinc Sastavci gold-silver-zinc
The Company has the following projects in Kosovo:	
Cernac – exploration licence (Kosovo) – 95% owner	
Bistrice – exploration licence (Kosovo) – 95 % owner	

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In late June of 2019, senior management, geological staff, technical consultants and members of the Board, participated in a robust, on-site review of Tethyan’s projects in the Balkans to formulate a district-wide exploration plan. Tethyan contracted Dr. Steve Garwin, a world-renowned porphyry expert, who was instrumental in the exploration success at SolGold Plc’s Cascabel project to assist with the development of this strategy, along with Donald Taylor and others. Donald Taylor was the recipient of the Prospectors and Developers Association of Canada’s (“PDAC”) 2018 Thayer Lindsey Award for the 2014 discovery of the Taylor lead-zinc-silver deposit in Arizona, USA.

This collaborative process to develop a district-wide exploration plan, allowed our seasoned technical team and consultants in Serbia to share their geological thinking and target identification ideas with the group and benefit from their significant experience and insights. We believe that Tethyan’s culture of inclusive geological discussion, will help to guide our projects toward continued exploration success in the future.

Raska Licence, Serbia

In October 2016, Tethyan signed an option agreement with Deep Research d.o.o. (“Deep Research”), a private Serbian company, that gives Tethyan the sole and exclusive right to acquire (the “Option”) the Raska exploration licence in Serbia (the “Licence”). The Licence is located in Southern Serbia near Raška, a town of 30,000 inhabitants, 170 kilometres directly south of Belgrade and within the Raška Mining District. The Licence comprises one exploration permit with a surface area of 87 square kilometres. Under the terms of the option agreement, Tethyan is entitled to purchase 100% of the Licence or Deep Research (at Tethyan’s discretion) for a cash payment of €6 million, plus a percentage of the eventual capital cost (“CAPEX”) of building the mine (details set out below), at any time during the total duration of the Licence and any future extensions of the Licence (a minimum of 7 years from the date of the option agreement).

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

Option agreement milestones	Cash Payments	Meters Drilled	Project Evaluation	Ownership Interest
Completed as at March 31, 2020	€ 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 Licence (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 licence)				
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 with respect to CAPEX post exercise of the option to acquire the Licence 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.

In accordance with the requirements of the Option agreement between Tethyan and Deep Research d.o.o. over the Licence, Tethyan successfully met all drilling requirements prior to December 28, 2018 in order for the Option agreement to remain in effect. Furthermore the exploration program requirements set out for the Raska Licence granted by the Serbian Government were met, and as a result the Raska exploration licence was renewed by the Ministry of Energy and Mines of the Republic of Serbia on February 19, 2019 for a further three years.

Results of exploration to date are discussed below.

Raska Licence Work Program

The Raska licence is prospective for porphyry copper-gold and intermediate sulphidation epithermal silver-zinc-lead vein type mineralization. Two porphyry centers have been identified at the Rudnica and Kremice prospects through remote sensing, soil sampling, detailed mapping, channel sampling and ground magnetic surveys. The Rudnica copper-gold porphyry has also been subject to an Induced Polarization geophysical survey and 9,422.2 meters of diamond drilling.

Rudnica Copper-Gold Project

The Rudnica project is defined at surface by a 1,200 metre by 600 metre gold in soil anomaly with coincident molybdenum and other pathfinder elements. Two zones of outcropping mineralization are observed at the "Rudnica project and Rudnica North prospect", hosted in diorite porphyry stocks and dykes emplaced within an andesitic volcanic package and underlain by a serpentinitised metamorphic basement. The diorite porphyry intrusion which hosts mineralization is coincident with a one kilometre by 0.5 kilometre north-south elongate magnetic high which is flanked by a 1.4 kilometre by 0.3 to 0.6 kilometre north-south elongate chargeability anomaly. Rudnica and Rudnica North both occur above subtle magnetic highs observed in RTP magnetic inversion data, inferred as cupolas above a larger intrusive body at depth.

Rudnica is the more advanced of the two targets and comprises a central core of weak potassic alteration, which zones upwards and outwards to epidote-propylitic alteration and is overprinted by intermediate argillic, phyllic and argillic alteration. Mineralization comprises a central hypogene zone of stockwork quartz-pyrite-chalcopyrite-magnetite veins, with disseminated pyrite-chalcopyrite. The porphyry has been eroded and weathered resulting in a leached cap at surface and an irregular shaped supergene copper enrichment zone between 50 metres and 100 metres below surface. Porphyry mineralization at Rudnica has an areal extent of 430 metres by more than 200 meters and is open to the southwest and southeast. Mineralization has been drilled to 550 metres below surface and remains open to depth. The gold-bearing leached cap occurs from surface to a depth of 50 metres to 80 metres deep, and is underlain by the supergene zone which has an areal extent of 360 metres by 150 metres and thickness of 10 metres to more than 50 metres, and is open to the southeast and southwest.

Rudnica was first drilled to shallow depths by Phelps Dodge in 2004 and was followed up by Tethyan with 9,422 metres of diamond drilling between 2017 and 2019. Significant results from Tethyan's drilling are summarized below. For more detailed information regarding the Company's exploration result, please refer to the Company's news releases, available at Company's website at <https://www.tethyan-resources.com> or to www.sedar.com.

Select 2019 Rudnica drilling highlights:

- RDD-018 300 metres at 0.29% copper and 0.26 g/t gold from a depth of 94 metres, including: 28 metres at 0.93% copper and 0.35 g/t gold from a depth of 185 metres
- RDD-019 318 metres at 0.21% copper and 0.24 g/t gold from a depth of 107 metres.
- RDD-016 303 metres at 0.15% copper and 0.27 g/t gold from surface, including: 52 metres at 0.50% copper and 0.30 g/t gold from a depth of 113 metres, including: 32 metres at 3.7% zinc, 4.7% lead, 0.37% copper, 73 g/t silver and 0.25 g/t gold from a depth of 160 metres
- RDD-014 335 m at 0.36% copper and 0.31 g/t gold from a depth of 68 m, including 59 m at 0.70% copper and 0.37 g/t from a depth of 142 m
- RDD-012: 142 m at 0.51% copper and 0.31 g/t gold from surface, including 50 m at 1.20% copper from a depth of 78 metres

Holes RDD-012, RDD-014 and RDD-015 ended in significant copper-gold porphyry mineralization, which remains open at depth.

Select 2017 Rudnica drilling highlights:

- RDD-006: 460 m at 0.21% copper and 0.20 g/t gold from surface, including 20 m at 1.04% copper
- RDD-005: 260 m at 0.22% copper and 0.20 g/t gold from a depth of 6 m, including 12 m at 0.78% copper
- RDD-004: 356 m at 0.38% copper and 0.31 g/t gold from a depth of 48 m, including 30 m at 1.45% copper and 0.39 g/t gold from 102 m
- RDD-003: 285 m at 0.31% copper and 0.33 g/t gold from a depth of 42 m, including 16.7 m at 1.55% copper
- RDD-001 567 m at 0.28% copper and 0.45 g/t gold from surface, including 36 m at 1.22% copper

Up to the report date, Tethyan has also completed a wide-ranging exploration study including spectral analysis of drill core to determine alteration mineralogy, 3D inversion and structure detection of the ground magnetic data, a re-interpretation of Induced Polarisation data, and 3D modelling of geochemical data, and engaged the services of Dr. Steve Garwin to assist in target generation.

Rudnica North is located 500 metres north of Rudnica and was discovered by Tethyan in 2018 through detailed mapping and channel sampling. The target was tested with four diamond drill holes in 2018 for 1070 metres which defined broad intervals of low grade gold and copper from surface, hosted in the same diorite intrusion as Rudnica.

The drilling is interpreted to have intercepted the peripheral parts of a larger porphyry system which is potentially linked at depth to Rudnica. Significant results from the 2018 drilling and channel sampling are shown below. See Tethyan's news release dated March 2, 2018 for the full results of the channel sampling program and Tethyan's news release dated June 13, 2019 for complete results from the holes drilled in 2018 at Rudnica North.

Select Rudnica North channel sampling highlights:

- RCH015: 40 m at 0.21 g/t gold, from 15 m to 55 m;
- RCH016: 30 m at 0.24 g/t gold, from 0 m to 30 m; and
- RCH017: 10 m at 0.26 g/t gold, from 0 m to 10 m.

Select Rudnica North drilling highlights:

- RDD-009: 64 m at 0.12% copper and 0.18 g/t gold from a depth of 32 m
- RDD-010: 69 m at 0.05% copper and 0.21 g/t gold from a depth 93 m
- RDD-013: 26 m at 0.00% copper and 0.20 g/t gold from surface
- RDD-013: 50 m at 0.03% copper and 0.23 g/t gold from a depth of 71 m

Kremice Cu-Au Prospect – see Figure 1

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

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

In October 2019, after completing two scout drill holes for a total of 680 metres, the Company announced that it had discovered an outcropping gold porphyry system on the western side of the Kremice project.

Significant channel sample and drilling results from Kremice West are summarized below

Select Kremice West channel sampling highlights:

- KCH010 - 25 metres at 0.40 g/t gold
- KCH009 - 10 metres at 0.49 g/t gold
- KCH007 - 18 metres at 0.34 g/t gold

Select Kremice West drilling highlights:

- KRDD-001 71.2 m at 0.07% copper; and 0.27 g/t gold from surface, including 2.7m at 0.61% copper; and 0.36 g/t gold
- KRDD-002 45.3 m at 0.09% copper; and 0.19 g/t gold from surface, including 4.2m at 0.47% copper; and 0.21 g/t gold

This discovery is a testament to the untested potential of the Company's consolidated land package in the Raska District and provides the Company with a high-quality exploration target

Taor

On June 29, 2018, the Company acquired all of the issued and outstanding shares of a Serbian company, Taor d.o.o. ("Taor" or the "Transaction"). Taor holds two exploration licences totalling approximately 100 square kilometres situated adjacent to the Raska licence. 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

Kizevak silver-lead-zinc target – see Figure 1

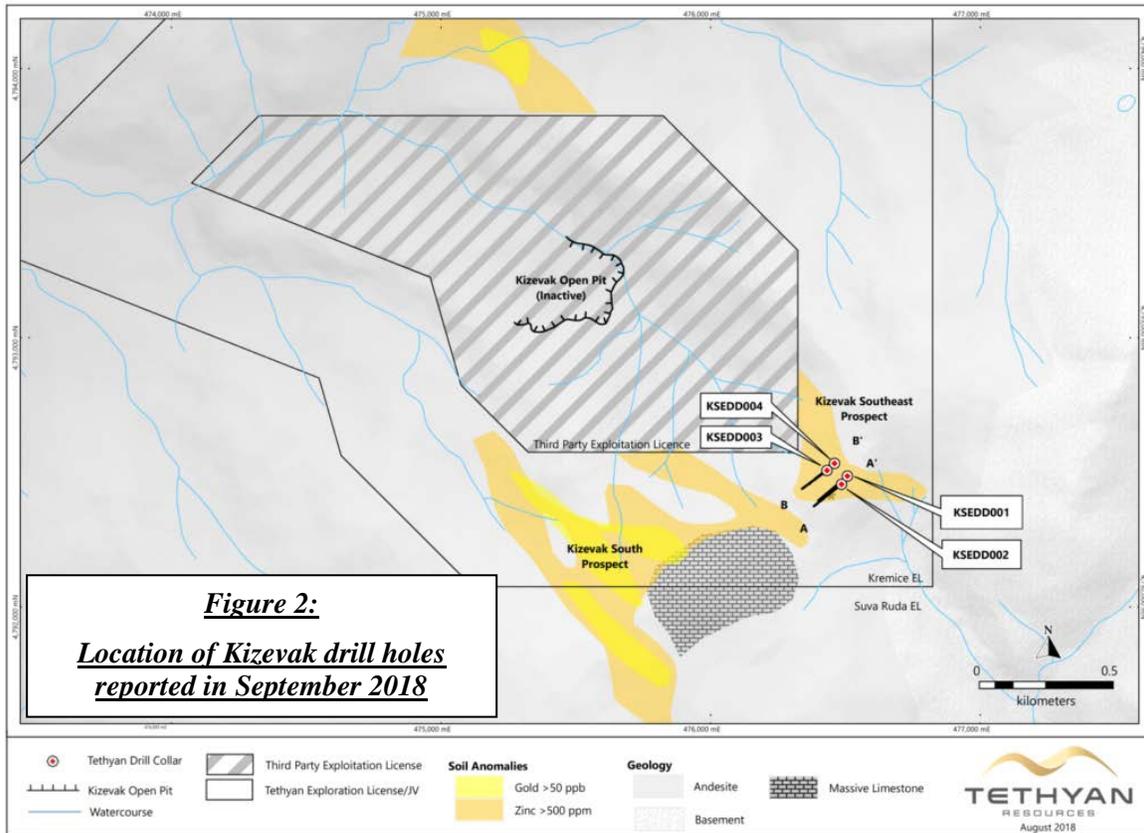
The Kizevak project is situated on an exploration licence held by Tethyan's Serbian subsidiary Taor d.o.o. ("Taor") and is located one kilometre southeast along strike from a past-producing open pit zinc-lead mine. Historic mines at Kizevak and Sastavci produced lead, zinc and silver from open pits from the 1980's until the early 2000's when they ceased operation due to conflict in the region. The Kizevak silver-lead-zinc target is defined by a strong zinc-lead-silver soil anomaly (500 by 260m) coincident with small-scale pits and excavations containing galena and sphalerite mineralised float. Select intercepts from four holes drilled at Kizevak in 2018 are summarized below. See Tethyan's news release dated September 4, 2018, for the complete results of the 2018 drilling program at Kizevak, including the zinc equivalent ("ZnEq") computation assumptions.

Select 2018 Kizevak drilling highlights:

- KSEDD-002: 12.0 m at 22.03% zinc, 10.29% lead, 167 g/t silver and 0.18 g/t gold, from a depth of 130 m, 35.09% ZnEq
- KSEDD-001: 43.0 m at 4.30% zinc, 2.49% lead, 26 g/t silver and 0.21 g/t gold, from a depth of 193 m, 7.39% ZnEq including 13.1 m at 11.28% zinc, 5.05% lead 57 g/t silver and 0.32 g/t gold, from a depth of 221m, 17.44% ZnEq
- KSEDD-003: 40.0 m at 4.35% zinc, 2.14% lead, 27 g/t silver and 0.34 g/t gold, from a depth of 137 m, 7.37% ZnEq
- KSEDD-003: 22.2 m at 2.95% zinc, 2.41% lead, 41 g/t silver and 0.18 g/t gold, from a depth of 160 m, 6.23% ZnEq

Kizevak holes were drilled on two sections 80 metres apart with a spacing of 40 metres between the holes. All holes intercepted significant mineralization between 85 metres and 190 metres below surface (polymetallic vein and breccia type mineralization). Mineralization remains open in all directions. 2018 drilling occurred one kilometre southeast and, along strike of the former Kizevak open pit mine.

The following map (Figure 2) illustrates the 2018 drill holes and the location of the past-producing Kizevak open pit mine.



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

Terratec Geophysical Services GmbH conducted a Time Domain Induced Polarization (TDIP) geophysical survey on the Kizevak zinc-lead silver project. Tethyan has also completed a trenching and channel sampling program in the same area for approximately 400 metres, and acquired its own magnetometer and base station to be used to conduct ground magnetic surveys over priority exploration targets.

Kaludra, Serbia

The Kaludra exploration licence is prospective for vein type and sediment-hosted lead-zinc-silver mineralisation hosted in Cenozoic interbedded sandstone, shale and limestone overlain by Neogene andesitic volcanics intruded by latite stocks. During 2019 Tethyan completed stream sediment and soil sampling in conjunction with regional mapping to generate targets.

The option agreement between Tethyan and Rockstone Group, the Serbian owner of the Kaludra licence, terminated in February 2020, the parties are currently in discussions concerning continuing the option agreement.

Zukovac and Bucje, Serbia

In March 2018, the Company announced that Tethyan Resources d.o.o., a subsidiary of the Company, was granted two exploration licences named Bucje and Zukovac, totalling 200 square kilometres and situated in the south of the Timok Magmatic Complex in Eastern Serbia. The licences are valid for an initial period of three years, following which the Mining Law of Serbia allows for the licence holder to apply, subject to various conditions, for extension periods of a further three years and finally two years, for a total of 8 years, before the licence holder is required to apply for a mining permit. The Company has relinquished the Bucje licence and is reviewing plans for the Zukovac licence which is considered a non-core asset.

Cernac and Bistrice, Kosovo

The Cernac and Bistrice licences are located in northern Kosovo, immediately south of the Suva Ruda licence in Serbia, and are at a grassroots stage of exploration. The Company completed geological mapping, and rock-chip, stream sediment and soil sampling, the results of which do not warrant further exploration of the licenses. As such, Tethyan intends to relinquish the licences in due course.

Gokcanica, Serbia

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

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

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

ACQUISITION OF EFPP:

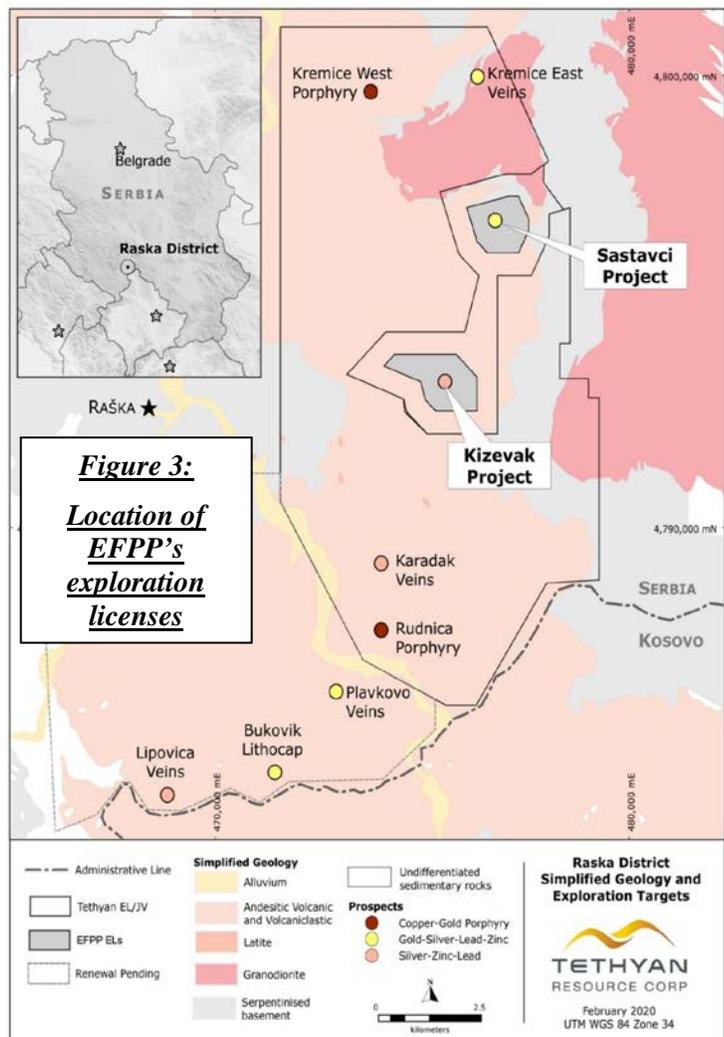
See Tethyan’s news release dated April 1, 2020.

The Kizevak and Sastavci exploration licences are located within Tethyan’s existing licence holding in the Raska District of Serbia (Figure 3).

Kizevak is a past-producing mine reported to host considerable historic mineral resources, along-strike from which Tethyan drilled mineralization including 12 metres at 22.03% zinc, 10.29 % lead, 167 g/t silver and 0.18 g/t gold (refer to Tethyan’s news release dated September 4, 2018). The mine was operated as an open pit by the Serbian state between 1984 and 2000, ceasing operations due to conflict in the region. The project benefits from numerous infrastructure advantages including water, power, road and rail access all within 5 kilometres, and a local workforce with a long history of mining. Additionally, the land comprising the wider project area is designated for mining purposes under the Serbian State spatial plan, providing many permitting benefits and efficiencies.

Mineralisation at Kizevak comprises steeply dipping, southeast striking, structurally controlled lenses of quartz-carbonate-sulphide vein breccias and stockwork zones hosted in andesite volcanics. Historic drilling and underground sampling data indicate that mineralisation occurs over a strike length of at least 1.2 kilometres, between 1 and 30 metres wide, and up to 200 metres down dip. This dominant southeast striking trend is intersected by at least one perpendicular southwest striking mineralised structure, which is inferred as an important control on high grade shoots.

In May of 2020 Tethyan completed the first closing related to the EFPP acquisition and now owns 10% of EFPP. Planning for upcoming exploration programs is underway.



Mineralisation is open down dip and along strike to the northwest, southwest and southeast.

In 2018 Tethyan drilled four drill holes on its wholly owned licence 1.2 kilometres along strike to the southeast of the mine (refer to Tethyan's news release dated September 4th 2018 and Figure 2) that returned mineralized intervals including:

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

Sastavci (Figure 3) was also mined historically by open pit on a smaller scale than at Kizevak and represents a priority drilling target. Outcropping, steeply dipping, massive sulphide veins up to 5 metres wide are visible in the pit walls. Tethyan collected 65 rock-chip samples across the Sastavci area, which returned assays ranging from trace to >30 % zinc (over range), 7.1 % lead, 94.3 g/t silver and 0.47 g/t gold in the Sastavci pit. A historic resource estimate is reported in the Serbian geological archives (see Historical Resource and Reserve Estimates below).

Historic Resource and Reserve Estimates

In 1994 the Yugoslav Geological Survey reported combined estimated mineral resources in GKZ compliant A+B+C1+C2 categories of 8Mt at 45 g/t silver, 5.06 % zinc and 2.96 % lead at Kizevak, Sastavci and Karadak (a portion of the Kizevak resource, and Karadak are located on Tethyan's existing licences).

The mineral resource estimates were reported by the state geological survey according to Yugoslav GKZ guidelines and do not comply with NI 43-101 reporting requirements and associated CIM definition standards. The authors caution that a qualified person has not done sufficient work to validate the historical estimates, and Tethyan is not treating the historical estimates as current mineral resources or reserves. Tethyan has not completed a detailed review of the historical resource or completed a new mineral resource estimate.

The historical resource estimates were completed using the polygonal method using data acquired from diamond drilling and underground sampling.

For readers not familiar with Yugoslav mineral estimates, such estimates were always stated as "reserves" and classified according to the A+B+C1+C2 or "alphabetical" classification, which was derived from the Russian system and is still applied throughout many countries in southeast Europe. The reserves had to be approved by the official Commission for Ore Reserves. The A, B, C1 and C2 categories reflect the levels of confidence in the actual tonnage exploited from a reserve, with confidence levels being - 95%, 80%, 70% and 35% respectively. Henley (2004) and others have evaluated the alphabetical classification system with respect to the compliant codes in Canada and Australia, and concluded that A+B is comparable to "measured", C1 to "indicated" and C2 to "inferred" in internationally acceptable codes for reporting resources. However, these comparisons are only an approximation, and cannot be considered as equivalents.

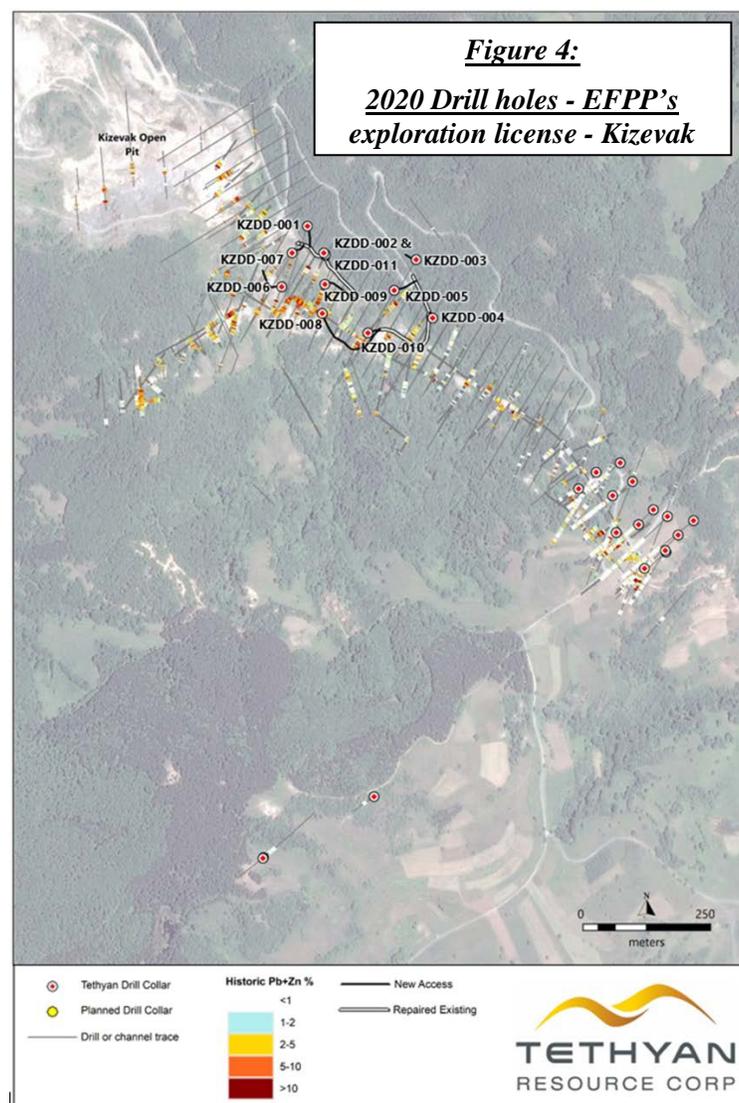
To verify the historical resource estimate as current mineral resources or mineral reserves, drilling, mapping, detailed geological interpretation, geological modelling, grade mapping by interpolation using geostatistical analysis and mineral resource classification, using industry standard software, is required.

Closing of the transaction was subject to due diligence and TSX approval which have been completed.

- First closing of the acquisition required a payment of €625 (\$954) to the sellers for a 10% ownership stake in EFPP (paid).
- 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
 - make a €500 payment on the two-year anniversary of the first closing.

2020 Exploration Highlights Kizevak

Tethyan has completed eleven drill holes (Figure 4) at the EFPP Kizevak exploration licence since completing the initial 10% acquisition of the Company. Samples have been submitted for lab analysis with ALS Laboratory Services and results are pending.



<i>Drill progress and planned meterage</i>	
Hole ID	Depth
Holes completed to 30th June 2020	
KZDD-001	245.70
KZDD-002	194.70
KZDD-003	344.80
KZDD-004	197.90
KZDD-005	137.60
KZDD-006	137.70
KZDD-007	188.60
KZDD-008	50.70
8 Holes:	1,497.70
Additional holes completed to 10th August 2020	
KZDD-009	82.80
KZDD-010	104.40
KZDD-011	182.60
3 Holes:	369.80
Total 11 Holes:	1,867.50

2020 Planned Exploration Sastavci

Tethyan is planning an exploration drill program for Sastavci and is in the process of receiving the necessary access permits; however, it is unlikely that Tethyan will commence drilling on this license prior to the closing of Adriatic Metals Plc's acquisition of Tethyan Resource Corp. All preparatory work completed will be able to be advanced by Adriatic upon completion of the acquisition.

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SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected consolidated financial information, presented in Canadian Dollars, for each of our eight most recently completed quarters:

	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2 (Restated)	Q1 (Restated)	Q4 (Restated)	Q3 (Restated)
Total assets	4,336	3,700	4,592	5,655	7,721	5,490	3,173	3,587
Exploration properties	2,673	2,795	2,732	2,590	2,641	2,764	2,762	2,757
Working capital (deficiency)	(1,544)	503	1,193	1,943	3,526	1,464	(896)	309
Net income (loss)	(803)	(511)	(1,105)	795	3,450	(13,771)	(1,175)	(692)
Basic and diluted income (loss) per share	(0.01)	(0.01)	(0.01)	0.01	0.04	(0.18)	(0.02)	(0.02)

The Company did not generate any revenues and did not declare any dividends. The Company is not impacted by seasonality as it is able to conduct exploration activities year-round; however, exploration budgets can vary in size and scope due to the availability of funds. Upon the share exchange pursuant to the scheme of arrangement described in the Company Overview section above, Tethyan changed its functional and presentation currency and adopted the Canadian Dollar instead of the British Pound. The functional currencies of the underlying entities have not been changed. As a result of this change, quarterly results which were previously reported in GBP, have been restated and reported in CAD in the table above.

The increase in total assets from quarter to quarter, primarily reflects the cash raised through the sale and issuance of shares. Decreases in total assets from quarter to quarter primarily reflects the reduction in cash resulting from exploration programs and administrative operation of the Company. The working capital deficiency in Q2 2020 primarily reflects the convertible loan of \$1,531 all of which was a current liability. The Q4 2018 working capital deficiency was driven by a larger than typical accounts payable balance, a loan from a related party and an advance on share subscription.

In Q1 2019, the Company experienced a larger than typical loss, which was primarily due to the non-cash, fair value change (loss) on the derivative liabilities related to the Company's warrants. In Q2 and Q3 of 2019 the non-cash fair value change on the derivative liabilities resulted in non-cash gains, as the liability was reduced due to changes in valuation inputs. In Q3 2019, upon the completion of the redomicile and the Company's change in functional currency, the derivative liability was fair valued for a final time, with the remaining value transferred to the share based payment reserve. The Company no longer has a derivative liability on its statement of financial position.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2020

During the three-month period ended June 30, 2020, the Company had a net loss of \$803 compared to a net gain of \$3,437 for the three-month period ended June 30, 2019. Significant fluctuations occurred in the following categories:

- During the three month period ended June 30, 2020, the Company incurred consulting expense of \$nil (three-month period ended June 30, 2019: \$67). This decrease reflects consulting fees for the Company's Vice President Development and certain investor relations consulting fees which were incurred in the comparative period with no similar costs in the three month period ending June 30, 2020.
- During the three-month period ended June 30, 2020, the Company recorded depreciation expense of \$8 (three-month period ended June 30, 2019: \$67). This decrease primarily reflects the removal of IFRS 16 lease assets and the depreciation thereon related to Vancouver and Toronto office leases which were accounted for as a joint operation in the comparative period, but did not meet the criteria to be accounted for as a joint operation in the current period.
- During the three-month period ended June 30, 2020, the Company incurred exploration and evaluation expenditures of \$349 (three-month period ended June 30, 2019: \$1,308). The reduction relates to a smaller exploration program in the current period than occurred in the comparative three month period primarily due to lower cash balances in the Company. COVID-19 did not materially impact the exploration work that was planned for the current three-month period.
- During the three-month period ended June 30, 2020, the Company incurred filling and regulatory fees of \$21 (three-month period ended June 30, 2019: \$69) with the decrease due to costs associated with the redomicile of the Company to Canada from the United Kingdom, in the comparative with no similar expenses in the current period.
- During the three-month period ended June 30, 2020 office and administrative expenditures were \$159 (three-month period ended June 30, 2019: \$454) decreased costs were mainly due to decreased current period administrative costs related to its portion of the shared management services company costs.

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- During the three-month period ended June 30, 2020, the Company incurred professional fees of \$353 (three-month period ended June 30, 2019: \$562 with the decrease mainly due to legal costs related to the redomicile of the Company, with no similar costs in the comparative period).
- In the three-month period ended June 30, 2020, the Company incurred project investigation costs of \$34 related to potential acquisition opportunities, including EFPP, with no similar cost in the comparative period.
- During the three-month period ended June 30, 2020, the Company incurred salaries of \$155 (three-month period ended June 30, 2019: \$76), The increase in salaries reflects additions made to the Tethyan senior management team in Serbia, as well as modest salary increases for staff.
- In the three-month period ended June 30, 2020, the Company incurred share-based compensation recovery of \$197 versus an expense of \$183 in the comparative period. The decrease is primarily due to the recovery resulting from options which were forfeited in the period (primarily vested options which had been granted to Company's Executive Chairman who resigned on April 1, 2020), net against options that vested in the period; whereas in the comparative period, no similar forfeitures occurred.
- In the three-month period ended June 30, 2020, the Company incurred travel expense of \$1 versus an expense of \$67 in the comparative period. The decrease was primarily due to reduced travel in the current period resulting from COVID-19 related travel curtailments for ex-patriot geologists who were not permitted to travel to Serbia in the period.
- In the three-month period ended June 30, 2020 there were no expenses related to the fair value change in derivative liabilities, as they were extinguished in Q3 2019. In the comparative three-month period ended June 30, 2019, \$6,137 represents the non-cash fair value change of the derivative liability due to changes in valuation inputs at that time.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2020

During the six-month period ended June 30, 2020, the Company had a net loss of \$1,314 compared to a net loss of \$10,334 for the six-month period ended June 30, 2019. Significant fluctuations occurred in the following categories:

- During the six-month period ended June 30, 2020, the Company incurred consulting expense of \$nil (six-month period ended June 30, 2019: \$143). This decrease reflects consulting fees for the Company's Vice President Development and certain investor relations consulting fees which were incurred in the comparative period with no similar costs in the six month period ending June 30, 2020.
- During the six-month period ended June 30, 2020, the Company recorded depreciation expense of \$31 (six-month period ended June 30, 2019: \$128). This decrease primarily reflects the removal of IFRS 16 lease assets and the depreciation thereon related to Vancouver and Toronto office leases which were accounted for as a joint operation in the comparative period, but did not meet the criteria to be accounted for as a joint operation in the current period.
- During the six-month period ended June 30, 2020, the Company incurred exploration and evaluation expenditures of \$518 (six-month period ended June 30, 2019: \$1,575). The reduction relates to a smaller exploration program in the current period than occurred in the comparative six-month period, primarily due to lower cash balances in the Company. COVID-19 did not materially impact the exploration work that was planned for the current six-month period.
- During the six-month period ended June 30, 2020, the Company incurred filling and regulatory fees of \$33 (six-month period ended June 30, 2019: \$115) with the decrease due to costs associated with the redomicile of the Company, in the comparative with no similar expenses in the current period.
- During the six-month period ended June 30, 2020 office and administrative expenditures were \$423 (six-month period ended June 30, 2019: \$694) decreased costs were mainly due to decreased current period administrative costs related to its portion of the shared management services company costs.
- During the six-month period ended June 30, 2020, the Company incurred professional fees of \$434 (six-month period ended June 30, 2019: \$619 with the decrease mainly due to legal costs related to the redomicile, with no similar costs in the comparative period).
- In the six-month period ended June 30, 2020, the Company incurred project investigation costs of \$106 related to potential acquisition opportunities, including EFPP, with no similar cost in the comparative period.

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- During the six-month period ended June 30, 2020, the Company incurred salaries of \$313 (three-month period ended June 30, 2019: \$140), The increase in salaries reflects additions made to the Tethyan senior management team in Serbia, as well as modest salary increases for staff.
- In the six-month period ended June 30, 2020, the Company incurred share-based compensation recovery of \$123 versus an expense of \$270 in the comparative period. The decrease is primarily due to the recovery resulting from options which were forfeited in the period (primarily unvested options which had been granted to Company's Executive Chairman who resigned on April 1, 2020), net against options that vested in the period whereas in the comparative period, no similar forfeitures occurred.
- In the six-month period ended June 30, 2020, the Company incurred travel expense of \$26 versus an expense of \$133 in the comparative period. The decrease was primarily due to reduced travel in the current period resulting from COVID-19 related travel curtailments for ex-patriot geologists who were not permitted to travel to Serbia in the period.
- In the six-month period ended June 30, 2020 there were no expenses related to the fair value change in derivative liabilities, as they were extinguished in Q3 2019. In the comparative six-month period ended June 30, 2019, \$6,660 represents the non-cash fair value change of the derivative liability due to changes in valuation inputs at that time.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at June 30, 2020 was \$541. As at June 30, 2020, the Company's working capital was negative \$1,544 compared to a working capital of \$1,193 as at December 31, 2019. The change was largely impacted by the convertible loan (all of which is a current liability), with no similar liability impacting the December 31, 2019 working capital.

Net cash used in operating activities for the six-month period ended June 30, 2020 was \$1,517 compared to net cash used of \$3,351 during the comparative six-month period ended June 30, 2019.

Net cash used in investing activities during the six-month period ended June 30, 2020 was \$954 related to the Company's investment in EFPP; whereas, in the comparative six-month period, \$28 of cash was used for the purchase of equipment.

Financing activities during the six-month period ended June 30, 2020 had cash inflows of \$1,528, with \$1,531 related to the receipt of amounts related to convertible loan and \$27 for government grants related to COVID-19 assistance, offset by \$30 of payments related to lease obligations. Financing activities in the comparative six-month period resulted in cash inflows of \$7,601 with \$7,405 of net proceeds related to private placements, \$433 received on the exercise of options and warrants offset by \$129 loan repayment to related parties and \$108 related to the payment of lease obligations.

Current assets as at June 30, 2020 and December 31, 2019 were \$636 and \$1,554 respectively. Cash and cash equivalents represents the majority of these assets in both periods and these balances are invested highly liquid term deposits redeemable on demand or held in bank accounts.

Current liabilities as at June 30, 2020 and December 31, 2019 were \$2,180 and \$361 respectively. The increase from the previous period primarily relates to the convertible loan \$1,531 which was entered into in the period. On January 2, 2020, an additional public company became an equal owner of 688284 BC Ltd., (shared management services company) and as a result of this ownership interest change, Tethyan was no longer a party to a joint operation, and leases which were recognized in current liabilities as at December 31, 2019 and have not been included in current liabilities as at June 30, 2020.

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has not generated significant revenues or cash flows from operations to date. The Company recorded a net loss of \$1,314 for the six months ended June 30, 2020. The Company expects that it will require additional debt or equity funding in the next year in order to continue its planned exploration and evaluation activities and meet its business objectives; should the proposed transaction not be approved by shareholders.

The Company's ability to continue on a going concern basis depends on its ability to raise financing successfully. 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. In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. COVID-19's impact on global markets has been significant through Q2 2020; however, the impact on the Company's operations to date has been limited to travel curtailments which have impacted expats that were unable to travel to Serbia. The ultimate duration of COVID-19 and the impact on our ability to obtain debt and equity financing to fund ongoing exploration activities as well as our ability to explore and conduct

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business is unknown. These conditions result in material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

COMMITMENTS

As at June 30, 2020 and December 31, 2019, the Company had the following undiscounted contractual lease obligations:

As at		June 30 2020	December 31 2019
2020	\$	61	\$ 167
2021		83	122
2022		27	27
2023		19	19
2024 and beyond		13	13
	\$	203	\$ 348

Should Tethyan choose to exit the management services agreement, it is required under the arrangement to payout its share of the remaining office lease obligations, based on the previous twelve month average usage, which at June 30, 2020 would have been \$357.

RELATED PARTY TRANSACTIONS

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		Six-months ended	
	June 30		June 30	
	2020	2019	2020	2019
Salaries and short-term employee benefits ⁽¹⁾	\$ 26	\$ 50	\$ 96	\$ 101
Share-based compensation	(192)	169	(126)	250
Other compensation ⁽²⁾	58	283	195	483
	\$ (108)	\$ 502	\$ 165	\$ 834

⁽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, CFO and Corporate Secretary through a shared management services company in the current and comparative period, as well as CEO and Vice President of Investor Relations in the comparative period. The comparative period also includes amounts paid to J. Proust and Associates Inc. for CFO and corporate secretarial services.

Related party transactions

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

	Three-months ended		Six-months ended	
	June 30		June 30	
	2020	2019	2020	2019
Payments to J. Proust & Associates	\$ -	\$ 15	\$ -	\$ 36
Payments to shared management services company ⁽³⁾	138	486	420	\$ 661
Share based payments ⁽⁴⁾	-	1,712	-	955
Other	(6)	10	3	13
	\$ 132	\$ 2,223	\$ 423	\$ 1,655

⁽³⁾ The Company has an interest in 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 office leases, support staff and other operational costs.

⁽⁴⁾ Five million common shares of the Company were issued to Dr. Radomir Vukcevic, the Company's then Executive Director and Vice President Development, in relation to the Taor d.o.o. acquisition (Note 6 b) in the first quarter of 2019.

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Payable to related parties

As at June 30, 2020 and December 31, 2019 the following amounts were payable to related parties.

	June 30 2020	December 31 2019
Management support services ⁽⁵⁾	–	22

⁽⁵⁾ Fees were owed to 688284 BC Ltd for finance, accounting and administrative services as at December 31, 2019 and were included in accounts payable.

CURRENT SHARE DATA

As at the date of this MD&A, the Company had 79,901,867 ordinary shares issued and outstanding.

On May 1, 2020 the Company returned 565,865 shares to treasury for cancellation. These shares were beneficially owned by the Company and related to a joint share ownership plan for which no current employees were participants and none of the former employees who were members of the plan, had met the requirements to receive the shares.

On July 18, 2019 (“Distribution Date”), the Company completed its redomiciling to British Columbia, Canada from the U.K. Shareholders of Tethyan Resources Plc (“Old Tethyan”) as of the Distribution Date received one common share of Tethyan Resource Corp (“New Tethyan”) for each ordinary share of Old Tethyan owned. New Tethyan has been accounted for as a continuation of Old Tethyan and the Company’s shares continue to trade on the TSX.V under the same symbol (TETH) as they had previously. All outstanding option and warrant terms and conditions remain the same as they were under Old Tethyan, prior to the redomicile.

As at August 10, 2020, the Company had share options outstanding as follows:

Range of exercise prices \$	Outstanding			Exercisable	
	Number of options	Weighted-average exercise price (\$)	Weighted-average remaining contractual life (years)	Number of options	Weighted-average exercise price
\$0.25 (0.14p)	166,667	\$ 0.25	1.36	166,667	\$ 0.25
0.25 – 0.50	1,963,333	0.28	1.73	1,813,333	0.27
0.51 – 0.63	710,000	0.54	3.56	260,000	0.52
	2,840,000	\$ 0.34	2.16	2,420,000	\$ 0.30

As at August 10, 2020, the Company had share purchase warrants outstanding as follows:

Exercise period	Number of warrants	Weighted average exercise price \$	Weighted-average life remaining (years)
Exercisable until April 24, 2021	2,559,830	0.35	0.70
Exercisable until June 29, 2021	1,979,949	0.35	0.88
Exercisable until August 17, 2021	3,179,520	0.35	1.02
Exercisable until January 30, 2024	17,245,000	0.25	3.47
Outstanding August 10, 2020	24,964,299	0.28	2.67

RISKS AND UNCERTAINTIES

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

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

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company’s financial liabilities such as accounts payable and accrued liabilities are classified as current. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. The

maximum exposure to credit risk is equal to the carrying value of the financial assets. Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high-quality credit standing. The Company assess the collectability and fair value of this receivable at each reporting period. The Company's maximum exposure to credit risk is limited to its bank balances and trade and other receivables.

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

Risk of global outbreaks of contagious diseases, including the outbreak of a novel coronavirus ("COVID-19") have the potential to significantly and adversely impact the Company's operations and business. On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic. The Company is continuously evaluating the uncertainty and impact of the outbreak on the Company and its ability to operate due to employee absences, the length of travel and quarantine restrictions imposed by governments of affected countries, disruption in our supply chains, information technology constraints, government interventions, market volatility, overall economic uncertainty and other actors currently unknown and not anticipated.

To date, operations at the Company's exploration projects in Serbia were restricted by orders imposed by the Serbian government; however, these restrictions were lifted in the second quarter. The movement of people was previously forbidden during certain hours of the evening and on weekends. Businesses could apply for a special permit to operate during these hours. There is no guarantee that the movement of people will not be restricted once again or that a special permit to operate (if required) will be available in the future, should there be a second wave of the outbreak. While there have been no material disruptions to the Company's operations, there can be no certainty that COVID-19, or other infectious illness, and the restrictive measures implemented to slow the spread of the virus will not materially impact the Company's operations or personnel in the coming weeks and months. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, results of operations or ability to raise funds at this time.

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 spread of COVID-19 is having a negative impact on the financial markets which may impact the Company's ability to obtain additional financing in the near term. A prolonged downturn in financial markets could have an adverse effect on the Company's business and ability to raise capital. The Company is currently exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions are subject to a floating rate of interest. The interest rate risk on the Company's cash and cash equivalents is not considered significant. The Company is exposed to foreign exchange risk to the extent that financial instruments are not denominated in the functional currency of the Company or its subsidiaries. Such exposure relates primarily to financial assets and liabilities denominated in Canadian Dollars, US dollars and Euros.

As at June 30, 2020, the Company held net financial liabilities of \$57 in GBP, \$9 in Euros and a net financial asset of \$22 in Serbian Dinars. A 5% change in exchange rates would change net loss by \$2.

Other factors

Industry

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

Gold and metal prices

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

Trends

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

CRITICAL ACCOUNTING POLICIES

Reference should be made to the Company's significant accounting policies contained in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2019. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Significant accounting judgment and estimates

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, 2019.

New accounting policies adopted and amended

The significant accounting policies as disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019 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 16 of the consolidated financial statements 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. The financial statements are presented in Canadian Dollars ("\$" or "CAD"), including comparative amounts, which have been restated where applicable.

New accounting standards and pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020. 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 unaudited condensed consolidated interim financial statements of the Company.

LIMITATIONS OF CONTROLS AND PROCEDURES

Tethyan's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, the Company's management cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the fact that judgements in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, through collusion of two or more people, or by unauthorized override of the control.

The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company's officers are not required to certify the design and evaluation of the Company's disclosure controls

and procedures and internal controls over financial reporting and have not completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

QUALIFIED PERSON AND QUALITY CONTROL AND ASSURANCE

The technical information in this document has been reviewed by Andrew Tunningley, MAusIMM(CP), Tethyan's Exploration Manager, who has sufficient experience relevant to the style of mineralization under consideration and qualifies as a Qualified Person as defined by National Instrument 43-101.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates", "plans", "budget", "scheduled", "continue", "estimates", "forecasts", "expect", "is expected", "project", "propose", "potential", "targeting", "intends", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur" or "be achieved" or the negative connotation thereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by readers, as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company and its joint venture partners on its properties and work plans to be conducted.

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

- *uncertainties relating to receiving mining, exploration and other permits in Serbia;*
- *unknown impact related to potential business disruptions stemming from the COVID-19 outbreak, any subsequent COVID-19 outbreak, or that of another infectious illness;*
- *the impact of increasing competition;*
- *unpredictable changes to the market prices for gold, copper and other commodities;*
- *availability of additional financing and farm-in or joint-venture partners;*
- *anticipated results of exploration and development activities;*
- *the Company's ability to sell the securities in its investments for a profit, or at all;*
- *the Company's ability to obtain additional financing on satisfactory terms or at all.*

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