TETHYS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2015

The Tethys Petroleum Limited Interim Report and Accounts consists of two documents as detailed below:

1) Management's Discussion & Analysis: this includes the requirement of National Instrument 51-102 of Canadian Securities Administrators ("Canadian NI 51-102") in respect of a quarterly Management's Discussion & Analysis and the requirements of the UK's Disclosure & Transparency Rules with respect to DTR4.3, Interim management statements; and

2) Interim financial information: this includes the Condensed Consolidated Interim Financial Statements, the requirements of the Canadian NI 51-102 with respect to a quarterly financial report and the requirements of the UK's Disclosure & Transparency Rules with respect to DTR 4.3, Interim management statements and a Director's Responsibility Statement.

The following Management's Discussion and Analysis ("MD&A") is dated May 15, 2015 and should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and related notes for the period ended March 31, 2015 as well as the audited Consolidated Financial Statements and the MD&A for the year ended December 31, 2014. The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Company have been prepared by management and approved by the Company's Audit Committee and Board of Directors. The 2014 annual audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Disclosure and Transparency Rules ("DTR") of the Financial Conduct Authority ("FCA") in the United Kingdom as applicable to interim financial reporting. Additional information relating to the Company, such as the annual audited financial statements, Annual Information Form ("AIF") and Management's Discussion and Analysis ("MD&A") can be found on the SEDAR website at *www.sedar.com*.

Readers should also read the "Forward-Looking Statements" legal advisory wording contained at the end of this MD&A and also the Company's AIF.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of Tethys Petroleum Limited have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Nature of Business

Tethys Petroleum Limited and its subsidiaries (collectively "Tethys" or "the Company") has its principal executive office in Guernsey, British Isles. The domicile of Tethys is the Cayman Islands where it is incorporated. Tethys is an oil and gas company operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys' principal activity is the exploration and development of crude oil and natural gas fields.

Financial highlights

(All references to USD are United States dollars unless otherwise noted and tabular amounts are in thousands, unless otherwise stated)

	Quarter ended March 31		
	2015	**2014**	**Change**
Oil and gas revenue – continuing ops [1]	5,954	6,781	(12%)
(Loss) for the period – continuing ops [1]	(2,034)	(4,409)	(54%)
(Loss) / profit for the period – discontinued ops [1]	(41)	(492)	(92%)
	(2,075)	(4,901)	(58%)
Basic and diluted loss ($) per share – continuing ops [1]	(0.01)	(0.01)	-
Basic and diluted loss ($) per share – discontinued ops [1]	-	-	-
EBITDA - adjusted for share based payments [2]	(1,259)	(4,837)	(74%)
Capital expenditure	1,947	7,266	(73%)
	As at March 31		
	2015	**2014**	**Change**
Total assets	243,560	232,881	5%
Cash & cash equivalents	5,280	13,698	(61%)
Cash & cash equivalents – held in a disposal group [3]	1,707	1,627	5%
Short & long term borrowings	(16,637)	(6,715)	148%
Short & long term borrowings – held in a disposal group [3]	(4,641)	(6,755)	(31%)
Total non-current liabilities[3]	(11,468)	(5,744)	100%
Total non-current liabilities – held in a disposal group [3]	(814)	(2,220)	(63%)
Net debt / (funds) [2]	14,291	(1,855)	(870%)
Number of common shares outstanding	336,543,145[5]	299,557,744[4]	12%

Note 1 At the end of 2013 the Company made a decision to exit Uzbekistan (refer to page 7) and thus the results of the Uzbekistan segment were disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia

Note 2 Non-GAAP Measure refer to page 18 of the MD&A

Note 3 Due to the conditional sale of 50% (plus one share) of the Kazakh operation, all assets and liabilities of this segment have been re-designated as "Assets and Liabilities of a disposal group held for sale". For further information – refer to note 10 of the Condensed Consolidated Interim Financial Statements.

Note 4 Includes 12,000,000 shares issued on July 9, 2013 in connection with the proposed acquisition of Georgian assets. These shares were held in escrow pending Georgian governmental consent for the acquisition which was received on January 2, 2014, at which date they qualified for recognition as equity of the Company

Note 5 Includes 90.478 shares issued in connection with the Executive Chairman's remuneration package whereby 30% of base salary is paid in shares calculated at a 15 day weighted average closing rate prior to the date of his employment (November 26, 2014) which was 16.84 pence

- Gas revenue nearly doubled in the current quarter compared with the comparative period, which was offset by a decrease in oil revenue primarily as a result of the significant decline in oil price;
- The loss for the quarter ended March 31, 2015, of USD2.0m from continuing operations is less than the comparative period (USD4.4m) due to reduced operating and G&A costs;
- EBITDA adjusted for share based payments for the current quarter (Note 2 above) compared with the comparative period 2014 improved as a result of reduced operating and G&A costs;
- Capital expenditure during the quarter was significantly less than the comparative quarter as a result of the completion of the new shallow gas programme in Q4 2014;
- Borrowings increased in the current quarter as a result of new loans which raised net proceeds of USD9.26m
- The increase in net debt is due to the overall cash outflow of the Company and is analysed on page 15 of this MD&A.

Operational highlights

	Quarter ended 31 December		
	2015	**2014**	**Change**
Kazakhstan			
Oil (bopd)	1,195	2,009	(41%)
Gas (boe/d)	3,173	2,016	57%
Total boe/d	**4,368**	**4,025**	**8%**
Kazakhstan			
Oil – production (net bbls)	**107,529**	**180,801**	**(41%)**
Oil – revenue ($'000)	**1,245**	**4,223**	**(71%)**
Oil – gross sales price per barrel	$13.00	$27.10	(52%)
Oil – production costs ($'000)	**1,491**	**2,820**	**(47%)**
Oil – cost per barrel	$13.91	$15.60	(11%)
Gas – gross production (Mcm)	**48,522**	**30,820**	**57%**
Gas – revenue net of sales expense and VAT ($'000)	**4,706**	**2,393**	**97%**
Gas – sales price net of marketing commission (Mcm) and VAT	$73.66	$52.18	41%
Gas – production costs ($'000)	**1,042**	**891**	**17%**
Gas – cost per Mcm	$21.47	$28.91	(26%)

Note 1 Using a 2015 average exchange rate of USD 1 = Tenge 185.31 (2014: USD 1 = Tenge 182.31)

- Current quarter oil production averaged 1,195 bopd compared with 2,009 in 2014, reflecting a natural decline in overall production and the disruption of trucking in the winter and spring time along with short term AOT transshipment issues experienced by the the oil buyers due to the backlog of oil in the Kazakh system due to the major oil price decline;
- Oil production cost per barrel in the current quarter has reduced compared with the comparative period despite lower production volume as a result of decreases in staffing levels and other operational overheads;
- Oil prices saw a decline in the current quarter to USD13 as a result of the decline in world oil price at the end of 2014;
- Gas production more than doubled as of January 1, 2015 as a result of the new shallow gas programme undertaken in 2014;
- An increase in gas price was achieved for 2015 from $52.18 per Mcm to $73.66 per Mcm net of marketing commission;
- Gas production costs increased although cost per Mcm reduced as a result of economies of scale associated with greater volume.

Further details on the above highlights are provided throughout this MD&A document.

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to *Forward Looking Statements* on page 25 of this MD&A.

The Company's objective is to become the leading Independent E&P Company in Central Asia, by exercising capital discipline, by generating cash flow from existing discoveries and by maturing large exploration prospects within our highly-attractive frontier acreage. The Company produces both oil and natural gas in order to balance its product portfolio, and operates in three separate jurisdictions in Central Asia and the Caspian Region, though the Board is looking to farm down or sell the Georgian assets to focus on the Central Asian assets in Kazakhstan and Tajikistan.

The Company's long-term ambition is to achieve a significant role in the production and delivery of hydrocarbons from the Central Asian region to local and global markets, especially to the Chinese market. In common with many oil and gas companies, in implementing its strategies, the Company regularly considers farm-out/farm-in and joint venture opportunities and new projects which provide synergy with the Company's activities. Meanwhile, the specific focus of management in the short term is to:

- secure immediate funding for the Company through the evaluation and adoption of one or more strategic alternatives, including the farm-out of Georgia and/or farm-downs of the Tajik or Kazakh assets or debt or equity issuance;
- continue to review and implement further cost reductions across the business;
- maintain and increase shallow gas production with the objective to supply gas to China through the newly built pipeline once operational, once additional funding is secured;

- drill the Klymene exploration well in Kazakhstan, once additional funding becomes available.

Significant events and transactions for the quarter ended March 31, 2015

- *Kazakhstan - Akkulka Exploration Contract Extension*

  On January 6, 2015 the Company announced that its wholly owned Kazakh subsidiary, TethysAralGas LLP, had received permission from the Ministry of Energy of the Republic of Kazakhstan to extend the Akkulka Exploration Contract for another four years, from March 10, 2015 to March 10, 2019 (subject to certain routine amendments to the Contract). This is the first time the Company has received a four-year extension as previous extensions have been for two-year periods.

  The Ministry of Energy has provided this extension to allow the Company to fully assess the acreage. In addition, the current oil production from the "Doris" oil field is produced under this contract and this extension allows for this to continue for the four-year period.

- *Corporate - New loan financing*

  On January 16, 2015 the Company announced that it had secured a new USD6.0 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

  In connection with the loan financing, the Company has issued the lender with 35,600,000 warrants over the Company's shares with a price of C$0.19. In the event that the Company completes the issuance of any additional new ordinary shares (or options, warrants or other securities convertible into ordinary shares) equal to 7.5% or more of the cumulative aggregate number of outstanding shares, the lender will have the option of surrendering the warrant for a "surrender value" which would be added to the principal amount of the loan and be repayable on the 2 year maturity date. The initial surrender value is US$2.1 million and will decrease by 25% every 6 months over the term of the loan. The loan agreement contains events of default and change of control provisions.

  On March 10, 2015, the Company announced it had entered into a USD3.5 million loan agreement with a company, the assets of which are managed by Pope Asset Management LLC ("PAM"). PAM currently controls the voting rights over approximately 19% of the shares in Tethys. The principal of the loan is due to be repaid at the end of 2 years with interest payments at the rate of 8% per annum payable every 6 months. The loan agreement contains events of default and change of control provisions. The loan has been fully drawn down by the Company. In connection with the loan financing, the Company has issued the lender with 23,333,333 warrants over the Company's shares with a price of C$0.19.

- *Georgia – Reduction in interests*

  On January 22, 2015 the Company announced that it has reached agreement subject to finalising documentation with its partner, Georgian Oil and Gas, to remove its current funding obligations of approximately US$4 million under the farm-out agreement signed in July 2013, through reducing its interest in these projects. Under the terms of the new agreement Tethys will reduce its interest to 49% (from 56%) and GOG became Operator of the licence Blocks XIA, XIM and XIN from February 1, 2015.

- *Kazakhstan - Kyzyloi Gas Production Contract 15-year Extension*

  On January 23, 2015 the Company announced that its wholly-owned Kazakh subsidiary, TethysAralGas LLP, had received permission from the Ministry of Energy of the Republic of Kazakhstan to extend the Kyzyloi Gas Production Contract for another 15 years, from June 14, 2014 to December 31, 2029.

  The Ministry of Energy granted this contract extension following the Kazakh State Reserves Committee's approval of the new State Reserves for Kyzyloi previously announced in May 2014. The Kyzyloi contract area has been increased by 56 percent to 449 km2 (110, 950 acres) and now encompasses a larger gas bearing area including the AKK05 well (to be worked over later in Q2 2015) and also the successful AKK08 & AKK10 gas wells.

Significant events and transactions subsequent to the period end

- *SinoHan Transaction*

  On November 1, 2013 the Company entered into a legally binding exclusive agreement for the sale of 50% of its Kazakhstan oil and gas assets to SinoHan Oil & Gas Investment Number 6 B.V. ("SinoHan"), part of HanHong, a Beijing, PRC, based private equity fund, for US$75 million. The longstop date for fulfilment or waiver of the conditions precedent was extended for an additional six months starting November 1, 2014 by mutual consent of both parties.

  The main approval required from the Ministry of Energy (“MoE”) was not received by the longstop date of May 1, 2015. The Company has explored with SinoHan the possibility of a further short extension of the longstop date to provide additional time to obtain approval from the MoE, however SinoHan has confirmed that it does not wish to enter into a further extension on the transaction. As a result, the sale of 50% of the Tethys’ Kazakhstan assets to SinoHan will not proceed and the Company will therefore retain its 100% interest.

- *Unsecured convertible loan facility*

  On March 15, 2015 the Company announced that it had signed and closed a binding agreement for a US$7.5 million convertible loan facility with AGR Energy Limited No. 1 ("AGR Energy"). The loan is unsecured and bears interest at a rate of 9 percent per annum. Interest is payable twice a year on June 30 and December 31 whereas the principal is repayable on June 30, 2017 (the maturity date). The principal and accrued interest, subject to certain conditions, may be converted into ordinary shares in the Company at the option of the lender, in whole or in part, at any time up to the maturity date at a conversion price of USD0.10 per share.

  Separately, and as an option being considered as part of the Company’s ongoing strategic review, the Company has entered into a limited period of exclusivity with AGR Energy to negotiate a potential larger financing. The exclusivity period runs through to June 12th, 2015 and is subject to certain customary exceptions.

Results of Operations and Operational Review - Kazakhstan

Oil production – Akkulka Contract

	2015					2014				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m3	barrels	barrels	days	bopd	m3	barrels	barrels	days	bopd
Q1	19,666	123,683	107,529	90	1,195	42,503	267,334	180,801	90	2,009
Total	**19,666**	**123,683**	**107,529**	**90**	**1,195**	**42,503**	**267,334**	**180,801**	**90**	**2,009**

- Test production from the Doris discovery well AKD01 originally commenced in September 2010 at a level of up to 750 barrels per day. Oil was initially transported by truck to an oil loading terminal north of the town of Emba, located 450 km to the northeast of the well site, where it was treated before being transported to local refineries. In January 2011, approval was granted for a Pilot Production licence for this Doris oil discovery in the Akkulka block, whereupon the Company received the right to produce oil under the exploration contract. Furthermore, it allowed the Company to install and operate production facilities for a planned (Phase 2) production target. Once the Pilot Production Project is fully completed, relevant final reserve calculations will be submitted to the Kazakh Ministry of Oil and Gas (“MOG”) to receive a production contract which will allow for full field development and foreign or domestic sales. The Company is planning to apply for a full production contract, which is expected to be in place during 2016. In order to obtain this full production contract a gas utilization system needs to be installed which will require significant capital investment (approximately USD8m) and has a lead time for delivery and installation of 12-18 months, as the Company will no longer be able to flare gas. This will be implemented when funding permits;

- The Company produces oil from three wells under the Pilot Production licence: AKD01, AKD05 and AKD06. These wells have been performing to expectation although AKD05 & AKD06 have been off during the winter and spring due to restricted transshipment and trucking and higher water cuts, but are expected back on production in the latter part of Q2 or Q3 2015, depending on the oil price at that time, with the first one being AKD05, this will involve bringing staff back who are currently on unpaid leave. Moderate capacity progressive cavity pumps have been installed as planned on AKD05 and on AKD06. It is expected that at some time in the future the AKD01 well will also require a pump although the well performance to date has been good.

Oil operations update

General

Oil production is currently at 2,210 barrels per day on a 15mm choke (since 1st May) from AKD01 only since late April when all road and transshipment issues appear to have been resolved. An average rate of 1,770 barrels per day is expected to be achieved for 2015. The transportation issues from AOT resulted from a fall in the oil price in Kazakhstan that caused the temporary closure of some refineries. The realized oil price fell in December 2014 and again in January 2015 to a price of $13 per barrel which is the current price. This lower price was the result of both a fall in world oil prices and an increase in refined products being imported from Russia because of recently imposed sanctions that restricted them selling into other markets.

Joint Venture – Aral Oil Terminal ("AOT")

In 2013, the construction of Phase 2 of the AOT facility was completed, which provides for an increase in throughput capacity from 4,200 bopd to 6,300 bopd with the installation of two 1000 m^3 storage tanks (12,500 bbls) and associated pumping equipment. Phase 3, which includes the incorporation of an electrical dehydrator for the commercial treatment of crude oil is currently suspended due to low oil prices.

Gas gross[1] production – Kyzyloi and Akkulka Contracts

	2015				2014			
Kyzyloi	Mcm [2]	Mcf [3]	Mcm/d [4]	Boe/d [5]	Mcm [1]	Mcf [2]	Mcm/d [3]	Boe/d [4]
Q1	9,283	327,835	103	607	23,390	825,901	260	1,530
Total	**9,283**	**327,835**	**103**	**607**	**23,390**	**825,901**	**260**	**1,530**
Akkulka								
Q1	39,239	1,385,735	436	2,566	7,430	262,353	83	486
Total	**39,239**	**1,385,735**	**436**	**2,566**	**7,430**	**262,353**	**83**	**486**
TOTAL	**48,522**	**1,713,570**	**539**	**3,173**	**30,820**	**1,088,254**	**343**	**2,016**

Note 1 gross means all production before reduction of fuel gas
Note 2 Mcm is thousands of cubic metres
Note 3 Mcf is thousands of cubic feet
Note 4 Mcm/d is thousands of cubic metres per day
Note 5 boe/d is barrel of oil equivalent per day. A boe conversion ratio of 6,000 cubic feet (169.9 cubic metres) of natural gas = 1 barrel of oil has been used and is based on the standard energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead

- Production commenced from the Kyzyloi field in 2007, following the construction of a 56 km, 325mm outside diameter export pipeline from the Kyzyloi field gathering station to the main Bukhara–Urals gas trunkline, where a compressor station was constructed at 910 km on that trunkline. The gas flows into the main trunkline which is owned by IntergasCentralAsia (ICA), a division of the Kazakh state natural gas company KazTransGas (KTG);
- Production commenced from the Akkulka field on October 6, 2010;
- Gas volume has more than doubled in the current quarter compared with Q4 2014 as a result of incremental production from the new shallow gas programme that came on stream as of January 1, 2015.

Gas operations update

Shallow Gas Drilling programme

During 2014, the Company produced dry gas from a total of 11 wells at a depth of approximately 500m below surface, comprising eight producers in the Kyzyloi field and three in the central Akkulka field. In January 2015 wells AKK15, 16, 17, 18 and 19 were added to make a total of sixteen producers with a current combined production of around 550 Mcm per day. Note that wells AKK11,13 & KYZ_G12 were shut in at year end due to their low volumes and hydrates during winter and were opened in April 2015. It is also planned to work over and put on production wells AKK14 and AKK05 during Q2 2015.

The 2014 gas programme had two components: wells that had been previously drilled and tested were tied in along with new shallow gas wells. These wells targeted gas at 600-800 metres at the deeper, higher pressured, Tasaran sand level that tested strongly on the AKK14 and AKK15 wells (previously the production was exclusively from the shallower Kyzyloi stratigrahic level).

During the second half of 2014 a new pipeline system was installed in order to tie in AKK15, 16, 17, 18 and 19, for which final State approvals were received in February 2015. In parallel, a dehydration system was installed at the Booster Compressor Station and is performing well and outputting gas sufficient to make not only Kazakh but also export standard. Final State approval and commissioning of this unit was achieved in March 2015.

It is planned to increase production in Q2 2015 by putting onto production wells AKK14 then AKK05 and further optimizing existing compression.

The recently completed Bozoi-Shymkent-China gas pipeline means that, for the first time, Tethys has two potential gas export routes that provide alternatives to sell its gas; the route taking gas to the more populous south eastern part of Kazakhstan and, ultimately to China, and the existing Bukhara Urals trunk line that transports gas from Central Asia into Russia. Currently the Chinese pipeline is only taking domestic gas within Kazakhstan to Shymkent.

Once necessary contracts and approvals are in place, the Company's strategy is to commence selling into the Kazakhstan-China pipeline system when it expects to achieve a significantly higher net price than the recently concluded 2015 net price of USD75.09 (at an exchange rate of 181.78 Tenge). Tethys believes that Chinese buyers are currently buying gas from Central Asia at much higher prices than this and therefore expects the price it receives to rise again at that time. During Q1 2015, the Company signed a Memorandum of Understanding ("MOU") with PetroChina.

Exploration - update

The KBD02 ("Klymene") prospect is planned to be drilled to a total depth of 2,750 metres targeting a large structure in the south west of the Kul-Bas block, and will target three horizons in the Lower Cretaceous and Upper Jurassic. State approval for the Klymene exploration well drill project and associated emissions are now in place, and commencement of drilling operations is planned upon receipt of funds; a drill tender having been completed in December 2014. The Klymene prospect has the potential to be an order of magnitude bigger than the Doris oil discovery and surrounding prospects (the geographical area of the prospect is up to ten times the areal extent of the Doris oil field). It appears to have good four-way structural closure and positive hydrocarbon indications ("bright spots") on the recently acquired and interpreted seismic. Independent prospective resources assessment by Gustavson Associates assign total unrisked mean recoverable oil resources of 422 million barrels to the structure and total risked mean recoverable oil resources of 106 million barrels. Total SA has recently acquired the acreage to the south and west of Klymene and intends to drill one well on each of their blocks in 2015.

Results of Operations and Operational Review - Uzbekistan

Oil Production - North Urtabulak Production Enhancement Contract ("PEC")

During the second half of 2013, the Company's operations in Uzbekistan were seriously impacted by the closure of the Fergana refinery and a deterioration in the business climate in the country. The Board met in November 2013 and discussions concluded that a full withdrawal from existing projects in the country was required. Operations had been significantly interrupted by then to the extent that no revenue from operations had been earned since June 2013. The Board formally decided in December 2013 to exit from existing projects in the country and announced on January 2, 2014, being the next working day, that it would do so effective immediately as there was no contractual notice period but that it would take a period to complete the process of exiting from the Production Enhancement Contract ("PEC") for the North Urtabulak field. During Q2 2014 the Company formally transferred the wells to the State and the majority of staff contracts were terminated. There is currently a staff of four on short term contracts who are required in order to facilitate a formal hand over of equipment to the State under the provisions of the PEC. This hand over was completed by the date of this MD&A. The Company was not expected to benefit from any production or earn any revenues in 2014 and therefore, in view of the circumstances described, the results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia.

Results of Operations and Operational Review - Tajikistan

Operations update

Since completion of the farm-out, the new joint arrangement has been focused on the completion of a full regional 2D seismic acquisition programme across the PSC area, particularly targeted at deeper exploration potential. In Q4 2013, the joint operating company went out to tender for the acquisition of seismic data which was awarded to BGP of China in April 2014 and commenced field acquisition in late October 2014. This new wide line 2D survey is specially designed to image the deep targets described in the Independent Resource Report and consists of a first phase of 826 kms with an option for an additional 200 kms, all to be acquired by the end of 2015. As well as 2D acquisition and processing, a concurrent low cost passive seismic survey is planned and commenced in March whilst a Magnetotellurics survey is also being acquired now along the dip lines. Processing of all these data will be concurrent so interpretation and mapping will be underway from Q2 2015. This whole data set will enable the identification of the best possible drilling location to be agreed on at the end of 2015 / early Q1 2016.

An Independent Resource Report on the Bokhtar PSC area (dated June 30, 2012), prepared by Gustavson Associates in accordance with Canadian National Instrument 51-101, estimates Gross unrisked mean recoverable prospective resources of 27.5 billion barrels of oil equivalent, consisting of 114 trillion cubic feet (3.22 trillion cubic metres) of gas and 8.5 billion barrels of oil.

Accounting from date of farm-out

Following the farm-out to subsidiaries of Total and CNPC in June 2013, whereby each acquired a one third interest in Kulob's Bokhtar Production Sharing Contract, an operating company, Bokhtar Operating Company BV, has been established which is jointly owned by the three partners. The Company has classified the arrangement as a joint operation (where the company has rights to the assets, and obligations for the liabilities, relating to the arrangement). The Company recognizes its share of assets, liabilities and transactions, including its share of those incurred jointly, in accordance with the relevant International Financial Reporting Standards.

Results of Operations and Operational Review - Georgia

Following completion, in early January 2014, of the acquisition of a 56% interest in the Georgian licence areas: Blocks XIA, XIM and XIN, activities performed since the 2013 2D seismic acquisition have focused on the collation, preparation, processing and interpretation of seismic and well data across blocks XIA and XIM with some geochemical and structural geology work having been completed across all three blocks.

An Independent Resource Report on the Company's Georgia acreage (dated July 1, 2013), prepared by Gustavson Associates in accordance with Canadian National Instrument 51-101, estimates Gross unrisked mean recoverable prospective resources of 3.216 billion barrels of oil equivalent, consisting of 2.913 billion barrels of oil plus 1.8 trillion cubic feet (51.4 billion cubic metres) of gas.
Geochemical and rock mechanic were completed to further evaluate the unconventional play on the Company's acreage which Tethys believes has substantial upside potential. In addition, several conventional targets have been identified from seismic as well as potential drilling locations for unconventional wells.

Significant planned capital expenditure is currently on hold while negotiations are being undertaken with the State to approve a change of the remaining commitment on Block XI^{N} from the remaining 100 line km of 2D seismic by 30th June 2015 to gravity surveying, this is expected to be approved in Q2 2015. A dataroom for potential farm-in partners has been set up for this project.

Summary of Quarterly Results

	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013
Oil and gas revenue [1]	5,954	6,224	7,261	7,123	6,781	8,527	9,082	8,862
(Loss) / profit for the period								
– continuing ops [1]	(2,034)	(5,034)	(2,362)	(3,668)	(4,409)	(4,208)	(4887)	3,242
– discontinued ops [1]	(41)	(210)	(57)	(153)	(492)	(6,406)	(501)	(544)
Basic & diluted loss/profit ($) per share – continuing ops	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	0.01
Basic & diluted loss ($) per share – discontinued ops	-	-	-	-	-	(0.02)	-	-
EBITDA – adjusted for share based payments [2]	(1,259)	(3,806)	(1,134)	(2,509)	(4,837)	(3,348)	(507)	8,515
Capital expenditure	1,947	7,752	6,216	4,835	7,266	16,510	4,985	1,050
Total assets	243,560	238,695	241,059	242,878	232,881	234,618	246,536	253,924
Cash & cash equivalents	5,280	3,112	7,914	11,642	13,698	25,109	51,207	64,535
Cash & cash equivalents – held in a disposal group[3]	1,707	757	2,153	6,036	1,627	622	-	-
Short & long term borrowings	(16,637)	(10,628)	(11,032)	(7,581)	(6,715)	(4,965)	(17,852)	(18,889))
Short & long term borrowings – held in a disposal group	(4,641)	(4,871)	(5,166)	(5,911)	(6,755)	(8,947)	-	-
Total non-current liabilities[3]	(11,468)	(5,489)	(5,923)	(6,370)	(5,744)	-	(11,914)	(12,541)
Total non-current liabilities – held in a disposal group[3]	(814)	(7,937)	(7,412)	(7,691)	(8,019)	(10,913)	-	-
Net (debt) / funds[2]	(14,291)	(11,630)	(6,131)	4,186	1,855	11,819	33,355	45,646
Number of common shares outstanding	336,543,145[6]	336,452,667[5]	336,452,667[5]	336,452,667[5]	299,557,744[4]	299,557,744[4]	299,557,744[4]	299,557,744

Note 1 Amounts have been re-stated to exclude Uzbek operations discontinued during 2013
Note 2 Non-GAAP Measure – refer to page 18 of this MD&A
Note 3 Due to the conditional sale of 50% (plus one share) of the Kazakh operation, all assets and liabilities of this segment have been classified as "Assets and Liabilities of a disposal group held for sale". For further information – refer to note 10 of the Condensed Consolidated Interim Financial Statements
Note 4 Includes 12,000,000 shares issued on July 9, 2013 in connection with the proposed acquisition of Georgian assets. These shares were held in escrow pending Georgian governmental consent for the acquisition which was received on January 2, 2014, at which date they qualified for recognition as equity of the Company
Note 5 2014 includes the issue in May and June of 36,894,923 new ordinary shares which raised gross proceeds of USD 15m for the Kazakh shallow gas programme
Note 6 Includes 90,478 shares issued in connection with the Executive Chairman's remuneration package whereby 30% of base salary is paid in shares calculated at a 15 day weighted average closing rate prior to the date of his employment (November 26, 2014) which was 16.84 pence

Financial Review

Loss for the period

The Company recorded a net loss after taxation of USD2.1m for the quarter and year to date ended March 31, 2015 (2014: USD4.9m), representing a 58% decrease over the comparative period principally as a result of the implementation of extensive cost reductions across the business. Further variances between the two periods are summarized below together with a discussion of variances greater than 10%.

	Quarter ended 31 March		
	2015	**2014**	**Change**
Sales and other revenues	5,954	6,781	(12%)
Sales expenses	(1,102)	(744)	48%
Production expenses	(2,608)	(3,798)	(31%)
Depreciation, depletion and amortization	(674)	(151)	346%
Business development expenses	-	(740)	(100%)
Administrative expenses	(2,821)	(5,126)	(45%)
Restructuring costs	(319)	-	100%
Transaction costs for assets held for sale	(120)	(15)	700%
Profit on sale of assets	14	-	-
Share based payments	(147)	(119)	23%
Foreign exchange (loss) / gains - net	(6)	7	(200%)
Fair value gain / (loss) on derivative financial instrument - net	1,078	(19)	(5,774%)
Loss from jointly controlled entity	(250)	(1,203)	(79%)
Finance costs - net	(579)	(603)	(4%)
Loss before taxation	**(1,580)**	**(5,730)**	**(72%)**
Taxation	(454)	1,321	(134%)
Loss for the period from continuing operations	(2,034)	(4,409)	(54%)
Loss for the period from discontinued operations	(41)	(492)	(92%)
Loss for the period	**(2,075)**	**(4,901)**	**(58%)**

Sales & other revenue

	Quarter ended 31 March		
	2015	**2014**	**Change**
Summary			
Oil	1,245	4,223	(71%)
Gas	4,706	2,393	97%
Other	3	165	(98%)
Total	**5,954**	**6,781**	**(12%)**
By region:			
Kazakhstan			
Oil	1,245	4,223	(71%)
Gas	4,706	2,393	97%
Other	3	5	(40%)
Total	**5,954**	**6,621**	**(10%)**

Kazakhstan Oil revenue and price

	Gross sales		Realized price at wellhead	Compensation	VAT	Net sales
2015	**bbls**	**Revenue**	**$/bbl**			
Q1	100,773	1,424	13.00	30	149	1,245
Total	**100,773**	**1,424**	**13.00**	**30**	**149**	**1,245**
2014						
Q1	174,381	4,827	27.10	97	507	4,223
Total	**174,381**	**4,827**	**27.10**	**97**	**507**	**4,223**

- Under the Pilot Production licence, oil can only be sold in the local market;
- Net figures exclude the compensation for water content plus compensation for natural wastage and transportation costs of water from the well head to the terminal at Shalkar. The associated water from production is separated at the well site and was transported approximately 40km to a disposal facility. The compensation for water content is due to the small amount of water in the crude that remains after the field separation;
- Sale price is determined based on oil sold at the wellhead. The Company incurs no transportation or marketing costs. Some other entities report their oil price differently, with transportation and marketing costs being reported separately. Tethys' oil is trucked 230 kilometres and then railed hundreds of kilometres. According to figures provided by local oil buyers if oil was sold at the refinery, the price would be significantly higher;
- Q1 2015 revenue has been affected by the decrease in world oil prices that took place at the end of 2014.

Kazakhstan - Gas revenue and price

- Gas revenue increased in the current quarter compared with the comparative quarter as a result of incremental volume from the new shallow gas programme that was implemented on January 1, 2015 and an increase in gas price;
- The 2014 gas contract was for an annual volume up to 150 million cubic metres at a fixed Tenge price. Net of sales expenses (see below), the price (net of VAT) was KZT 9,652.50 per 1,000 cubic metres (USD53.10 at a 2014 average annual exchange rate of 181.78 Tenge);
- On December 31, 2014, a new contract was signed with respect to 2015 production for a minimum 100 million cubic metres at a fixed Tenge price. Net of sales expenses (see below), the price (net of VAT) of KZT 13,650 per 1,000 cubic metres (USD73.66 at a 2014 average annual exchange rate of 185.31 Tenge);
- Gas contracts are subject to exchange rate risk – refer to page 24 – *Sensitivities.*

Sales expenses

Sales expenses represent Kazakh marketing agent commissions paid in relation to the gas sale contracts of KZT4,550 per Mcm, net of 12% VAT, (USD24.55 at a 2014 average annual exchange rate of 185.31 Tenge), (2014: KZT 3,712.50 per Mcm, net of 12% VAT, (USD20.42 at a 2014 average exchange rate of 185.00 Tenge).

Production expenses

	Quarter ended March 31		
	2015	**2014**	**Change**
Kazakhstan			
Cost of production - oil	1,491	2,820	(47%)
Cost of production - gas	1,042	891	17%
Other	75	87	(14%)
Total	**2,608**	**3,798**	**(31%)**
Oil production - net bbls	107,529	180,801	(41%)
Oil production - cost per bbl	$13.87	$15.60	(11%)
Gas production – boe	285,570	181,440	57%
Gas production - cost per boe	$3.65	$4.91	(26%)
Total – cost per boe	$6.63	$10.48	(37%)

Kazakhstan – oil production

- A significant proportion of costs associated with oil production are fixed, therefore even if there is lower oil production in the current period compared with the comparative period, costs will not reduce proportionately;

- Cost per barrel of oil production has been reduced during the current year, compared with comparative quarter due to reduction in staffing, reduction in salaries and placement of staff on unpaid leave.

Kazakhstan – gas production

- Gas production costs increased in the current quarter as a result of additional costs associated with the implementation of the new shallow gas and dehydration programmes;

- The Company's shallow gas programme is resulting in cost reduction per cubic metre/boe through economies of scale.

Depreciation, depletion and amortization (DD&A)

DD&A for the quarter ending March 31, 2015 was USD0.67m representing an increase of 346% over the same quarter in the prior year (2014: USD0.15m), the variance was a change in depreciation of the drilling rigs to a straight line method from a method based on operating days.

Business development expenses

Business development expenses were nil for the quarter (2014: USD0.74m), reflecting earlier decisions to cease activity in relation to potential new projects.

Administrative expenses

	Quarter ended March 31		
	2015	**2014**	**Change**
Staff	1,245	2,300	(46%)
Travel	242	802	(70%)
Office	231	655	(65%)
Professional fees	599	525	14%
Regulatory fees	127	89	43%
Marketing costs	77	515	(85%)
Non-executive director fees	211	99	113%
Other costs	89	141	(37%)
Total	**2,821**	**5,126**	**(45%)**

- Staff costs have significantly reduced in the current quarter compared with the comparative period as a result of staff terminations and re-allocation of costs to "Restructuring costs" – see below;

- Restrictions on travel continued in the quarter resulting in a decrease in the current quarter compared with the comparative period as the Company continues to reduce its costs in this area;

- Office costs have reduced in the current quarter as a result of decisions made to close the Dubai, Washington and Toronto offices. Rental commitments with respect to these offices have been re-allocated to "Restructuring costs".

- Although reductions have been made with respect to Professional fees in terms of a reduction of audit fees, savings have been offset by increases in legal fees associated with claims and actions (refer to "Commitments and contingencies on page 19);

- Regulatory fees are higher for the quarter compared with the comparative period reflecting additional advice taken in connection with maintaining the Company's listings;

- Marketing costs are lower for the current quarter compared with the comparative period reflecting the termination of investor relation service contracts;

- Non-executive director fees have increased in the current quarter compared with the comparative period as a result of additional fees paid with respect to certain projects initiated at the request of the Chairman;

- Other costs are lower during the quarter primarily due to reduced bank fees as a result of closure of offices and bank accounts.

Restructuring costs

Costs associated with the restructuring programme announced on December 1, 2014, have been shown separately from administrative expenses. A provision for costs associated with staff reductions and closure of offices was made at the end of 2014. Costs incurred in the quarter incorporate fees in relation to the appointment of a strategic financial advisor and time-writing of technical staff involved in farm-out discussions.

Transaction costs of assets held for sale

Transaction costs of USD0.12m with respect to necessary pre-completion actions in relation to the SinoHan deal have been incurred during the quarter (2014: USD0.015m) with respect to this transaction.

Share based payments

Share based payments for the quarter ending March 31, 2015, amounted to USD0.146m representing a 23% increase over the comparative period (2014: USD0.119m), reflecting the issue of new options during the period.

Foreign exchange loss - net

Foreign exchange gains and losses arise from the revaluation of monetary assets and liabilities denominated in currencies other than the reporting currency and the receipt or settlement of foreign currency denominated amounts at a different amount than the originally recorded transaction amount. The losses are principally as a result of the revaluation of GBP Sterling cash and cash equivalents and borrowings into US Dollars.

Fair value gain on derivative financial instrument

The fair value gain of USD1.08m arising in the current quarter compared with a loss of USD0.019m in the comparative quarter was as a result of the share price decrease in relation to the warrants issued in connection with the January 2015 loan financing (refer to note 11 of the March 2015 Condensed Consolidated Interim Financial Statements).

Loss from jointly controlled entity

The loss generated by the Aral Oil Terminal was USD0.25m for the quarter (2014: USD1.2m), representing a decrease of 79%. Since the last quarter of 2013, the terminal has generated losses as a result of lower volume throughput. Actions have been taken at the Terminal to reduce operating costs and financing has been re-structured with effect from August 2014 resulting in reduced interest expense over the remaining term of the debt.

Finance costs - net

Finance costs consist of loan interest expense net of interest income. Finance costs for the quarter were USD0.58m representing a 4% decrease over the comparative period (2014: USD0.6m).

Taxation

The overall current tax charge for the quarter was USD0.45m (2014: tax recovery USD1.32m). There was a significant impact on Kazakh tax losses and tax pools arising from the Tenge devaluation in February 2014. A reconciliation of the loss before income tax to the current tax expense is provided in note 5 of the March 2015 Condensed Consolidated Interim Financial Statements.

Loss for the period from discontinued operations

As a result of the Company's decision at the end of 2013 to exit from Uzbekistan, all revenues and costs associated with this segment have been excluded from the Company's results and separately disclosed. The loss of USD0.04m is with respect to costs associated with the exit and handover process. Refer to page 7.

Liquidity and Capital Resources

The Company's capital structure is comprised of shareholders' equity and debt.

The Company's objectives when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Company is managed and adjusted to reflect changes in economic conditions.

The Company funds its capital expenditures from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity and some debt financing. None of the outstanding debt is subject to externally imposed capital requirements.

Financing decisions are made by management and the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt (refer to Non-GAAP measures) is calculated as total borrowings (which includes 'current and non-current borrowings') less cash and cash equivalents. Total capital is calculated as 'equity' plus net debt. All figures are as stated in the March 2015 Condensed Consolidated Statements of Financial Position.

	At March 31, 2015	At March 31, 2014	Change
Total financial liabilities – borrowings	16,637	6,715	
Total financial liabilities – borrowings of a disposal group	4,641	6,755	
Less: cash and cash equivalents	(5,280)	(13,698)	
Less: cash and cash equivalents – of a disposal group	(1,707)	(1,627)	
Net debt / (funds)	14,291	(1,855)	(870%)
Total equity	203,822	203,513	-
Total capital	**218,113**	**201,658**	**8%**

Should the Company be in a net debt position, it will assess whether the projected cash flow is sufficient to service this debt and support ongoing operations. Consideration will be given to reducing the total debt or raising funds through alternative methods such as the issue of equity, farm-down of assets or sale of the Company.

Going Concern

The Management and the Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the Condensed Consolidated Interim Financial Statements in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidate Interim Financial Statements for the period ended March 31, 2015. The Company currently does not have sufficient funding to fund its obligations for the next twelve months.

Although these consolidated financial statements have been prepared on a going concern basis in accordance with IFRS, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, events and uncertainties arising subsequent to the balance sheet date and which are discussed below, raise substantial doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company reported a loss of USD2.1 million for the quarter ending March 31, 2015 (2014: USD4.9 million) and an accumulated deficit of USD200.6 million (2014: USD198.6 million) at that date and negative working capital of USD4.8 million (December 31 2014: negative USD7.5 million) excluding items classified as held for sale.

On November 2, 2013, Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. ("SinoHan"), part of the HanHong Private Equity Management Company Limited, a Beijing, PRC based private equity fund, for USD75 million. Completion was dependent on the Company receiving Kazakh governmental permission and waiver of the States' pre-emptive right (article 36 of Kazakhstan law on Subsoil and Subsoil Use) which have not been received as at March 31, 2015 and which is beyond the Company's control.

In view of the delay, the Company agreed an extension of the Longstop Date under the Sale and Purchase Agreement with SinoHan until May 1, 2015. The Company had an obligation to undertake a number of significant Conditions Precedent ("CPs") prior to completion of the sale, including receipt of the approval from the Ministry of Energy, which the Company was actively pursuing up until the Longstop Date, however on May 1, 2015, the Company announced that the main approval required from the MOE had not been received. Although the Company explored the possibility of further extending the Longstop date with SinoHan, SinoHan confirmed that it did not wish to enter into a further extension of the agreement.

In July 2014, the Company and SinoHan agreed the release of the USD3.88 million deposit placed by SinoHan into escrow upon signature of the Sale and Purchase Agreement to assist with the further implementation of the Kazakh capex programme. This is in the form of a minimal interest bearing loan which was to be deducted from the consideration due from SinoHan on completion.

In consideration for SinoHan agreeing to extend the Longstop Date, the Company has agreed that it shall be responsible for legal and other costs and expenses incurred by SinoHan pursuant to the Sale and Purchase Agreement up to a maximum aggregate amount of USD700,000 in the event that the CPs are not met or are waived by the Longstop Date and the Buyer has complied with its obligations.

As the deal has not completed by the Longstop date of May 1, 2015, the above described USD3.88m advance becomes repayable within 10 days upon request from SinoHan where SinoHan is in compliance with its obligations under the Sale and Purchase agreement (refer to note 11 of the Condensed Consolidated Interim Financial Statements). On May 8, 2015 the Company received a demand for repayment of the loan. The Company is currently in discussions with SinoHan on matters relating to the termination of the sale and purchase agreement, including the USD3.88m loan and USD700,000 costs.

Tethys' future operations and earnings will depend upon the results of Tethys' operations in the Republic of Kazakhstan, Tajikistan and Georgia. There can be no assurance that Tethys will be able to successfully conduct such operations, and a failure to do so would have a material adverse effect on Tethys' financial position, results of operations and cash flows. Also, the success of Tethys' operations will be subject to numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, prices for crude oil and natural gas, competition and changes in regulation. Since Tethys is dependent on international operations, Tethys will be subject to various additional political, economic and other uncertainties. Among other risks, Tethys' operations may be subject to the risks and restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to support the Company's short term liquidity position, which has been adversely affected by the recent decrease in world oil prices, management has been implementing a cost reduction programme with respect to its operational and G&A costs and during the quarter it sourced two separate loans under which it raised total net proceeds of USD9.26 million. Following the period end, the Company has secured debt financing amounting to USD7.5m (refer to note 17 of the Condensed Consolidated Interim Financial Statements).

As the SinoHan transaction has not completed by the Longstop Date, the Company will need to secure additional funding in order to meet its contractual obligations which include the Tajik Bokhtar licence and Kazakh Exploration and Production licences (refer to note 16 of the Condensed Consolidated Interim Financial Statements). The cessation of cash call payments to the Bokhtar Joint Operating Company would potentially dilute the Company's equity interest and failure to meet its Kazakh commitments could potentially result in the confiscation of licences.

The Company has been and actively continues to explore strategic initiatives which include the potential sale of the Company and/or farm downs of its Kazakh, Tajik or Georgian assets as well as evaluating equity proposals and debt financing.

There can be no assurances that management will be successful with these initiatives.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the additional funding required to meet capital expenditure programs including its contractual obligations, its ability to renew and maintain access to debt facilities, equity issuances, manage risks associated with depressed oil prices and potential Tenge devaluation and ability to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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Cash Flow

	Quarter ended March 31	
	2015	**2014**
Cash & cash equivalents at beginning of period	**3,868**	**25,731**
Cash inflow		
Proceeds from financing – net of issue costs	9,135	6,707
Interest received	45	50
Other (includes change in non cash working capital)	-	894
Total	**9,180**	**7,651**
Cash outflow		
Operating activities – before tax (including discontinued operations)	(1,338)	(4,167)
Capital expenditure	(1,947)	(7,266)
Repayment of borrowings	(821)	(6,514)
Repayment of historic costs	(28)	(71)
Corporation tax paid	(130)	(138)
Other (includes change in non cash working capital)	(1,673)	-
Total	**(5,937)**	**(18,156)**
Effect of exchange rates on cash & cash equivalents	(124)	99
Cash & cash equivalents at end of period	**6,987**	**15,325**

Operating activities

The reduction in cash outflow from operating activities in the current quarter compared with the comparative period, is primarily due to reductions in operating and G&A expenditure.

Proceeds from financing – net of issue costs

2014 financing consists of the proceeds of USD7.7m raised from the new rig loan issued in February 2014 and release of the USD3.88m deposit placed into escrow with respect to the conditional sale of a 50% (plus one share) interest in the Company's Kazakh business.

2015 financing consists of the proceeds of two new loans completed during the quarter amounting to gross proceeds of USD6m and USD3.5m. Warrants were issued in connection with both loans. Refer to note 11 of the March 2015 Condensed Consolidated Interim Financial Statements for further information regarding the Company's borrowings.

Other

"Other" incorporates movements of changes in working capital associated with capital (long term VAT and advances to contractors).

Capital Expenditure

Significant spend is as follows:

Continuing operations	Quarter ended March 31 2015	2014	Change
Kazakhstan			
Fire-safety	-	299	
AKD08	244	533	
AKD09	-	768	
Pumps	-	548	
2D & 3 D Seismic	-	228	
New shallow gas wells & dehydration	543	1,100	
Rig mobilization	-	148	
KBD01 – workover & testing	-	636	
Other	41	1,115	
Total	**828**	**5,375**	**(85%)**
Tajikistan			
Bokhtar exploration	867	877	
Total	**867**	**877**	**(1%)**
Georgia	**252**	**778**	**(68%)**
Corporate & other	**-**	**236**	**(100%)**
Total	**1,947**	**7,266**	**(73%)**

Accounting policies, changes to accounting standards and critical estimates

The Company's significant accounting policies and discussion of changes to accounting standards are disclosed in note 2 of the Notes to the March 2015 Condensed Consolidated Interim Financial Statements. Refer to note 4 of the Notes to the 2014 Consolidated Financial Statements for further information on the Company's significant judgments and assumptions and critical estimates.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Non-GAAP Measures

EBITDA adjusted for share based payments

EBITDA adjusted for share based payments is defined as "Loss or profit before Interest, Tax, Depreciation, Amortization, Impairment, Fair value gains or losses and Share Based Payments" and is calculated on the results of continuing operations. It provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are depreciated and amortized, or how results are taxed in various jurisdictions.

	Quarter ended March 31 2015	2014	Change
EBITDA - adjusted for share based payments	(1,259)	(4,837)	(74%)
Depreciation, depletion and amortization	(674)	(151)	346%
Share based payments	(147)	(119)	23%
Fair value gain on derivative financial instrument - net	1,078	(19)	(5,774%)
Finance costs – net	(579)	(603)	(4%)
Loss before taxation	**(1,580)**	**(5,730)**	**(72%)**

Net debt / (funds)

Net debt / (funds) is calculated as total borrowings (which includes current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity plus net debt. All figures are as stated in the audited 2014 Consolidated Statements.

EBITDA adjusted for share based payments and Net debt / (funds) shown in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-GAAP measures. These measures have been described and presented to provide shareholders and potential investors with additional information regarding the Company's financial results. These measures may not be comparable to similar measures presented by other entities.

Stockholder Equity

As at May 15, 2015 the Company had authorized share capital of 700,000,000 ordinary shares of which 336,648,920 (2014: 299,557,744 which included 12,000,000 shares held in escrow pending Georgian governmental consent for the acquisition which was received on January 2, 2014) had been issued and 50,000,000 preference shares of which none had yet been issued. The preference shares have the rights as set out in the Memorandum and Articles of Association approved at the AGM on April 24, 2008.

As at May 15, 2015, a total of 40,374,320 (2014: 34,388,129) ordinary shares were reserved under the Company's Long Term Stock Incentive Plan and Warrants granted by the Company. The number of options outstanding as at May 15, 2015 is 22,516,300 and the number of warrants outstanding is 61,023,333.

Dividends

There were no dividends paid or declared in the period.

Transactions with Related Parties

Related party transactions with key management personnel

One non-executive director participated in the 2014 rig loan financing described in note 11 of the March 2014 Condensed Consolidated Interim Financial Information. In addition, non-interest bearing advances have been made to three officers of the Company. Amounts advanced during the period and balances outstanding at the end of the period are shown in the table below.

	Three months ended		Balance as at	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Loans advanced to Company:				
Non-executive director	-	150	121	148
Amounts advanced by Company:				
Officer	-	-	13	66
Officer	-	-	46	93
Officer	-	-	6	4

Commitments and contingencies

Litigation, claims and assessments

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavourable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

Kazakhstan

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

The known commitments and contingencies of the Kazakhstan businesses are as follows:

Akkulka Production Contract

On December 23, 2009, the Company and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR") signed the Akkulka Production Contract giving the Company exclusive rights to produce gas from the Akkulka Block for a period of nine years. Contingent upon commencement of commercial production on the Akkulka contractual territory, an amount of USD 3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD 933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To March 31, 2015, the Company had reimbursed the Kazakh State USD 546,480 in respect of the Akkulka Field.

Work programmes for the period October 1, 2012 to October 1, 2015 have been agreed totalling USD 4,421,300 which includes a commitment for the period October 1, 2014 to October 1, 2015 of USD 1,172,500. As at March 31, 2015 all commitments for the periods up to October 1, 2015 have already been met. It is planned to absorb the AKK16, 18, 19 and 20 wells into the Production Contract and expand the Contract boundaries and once completed (expected in Q2 2015) revised work programmes and commitments will be determined.

Akkulka Exploration Contract

On February 23, 2015 the Company received an extension to the Akkulka Exploration Contract for a period of four years up to March 10, 2019. Work programmes for the period March 10, 2015 to March 10, 2019 have been agreed totalling USD 33,792,000 which includes a commitment for the period March 10, 2015 to March 10, 2016 of USD 5,456,000.

Kul-Bas Exploration and Production Contract

The Kazakhstan Government is to be compensated for the historical costs related to the contractual territory in the amount of USD 3,275,780. To date, the Company has paid two amounts of USD 49,137 each in relation to this balance. If and when commercial production commences, USD 80,666 is due in quarterly instalments until the remaining historical costs of USD 3,177,506 have been paid in full.

Work programmes for the calendar years 2014 to 2015 have been agreed totalling USD 13,011,170 which includes a commitment for 2015 of USD 9,441,100. The commitments were rescheduled in Q4 2014 for the work programme up to November 11, 2015 for a total of USD 8,855,000 comprising up to two wells.

Kyzyloi Production Contract

On June 5, 2014 the Company received approval from the Ministry of Oil & Gas of the Republic of Kazakhstan for an extension to its Kyzyloi Production Contract for a further 15 years to December 31, 2029. Work programmes for the 15 year period have been agreed totalling USD 114,567,000 which includes a commitment for 2015 of USD 7,487,200.

Tajikistan

Bokhtar Production Sharing Contract

The Company has an effective 28.33% interest (33.33% interest via its 85% owned subsidiary) in Bokhtar Operating Company BV with partners Total and CNPC each having a 33.33% interest.

Under the terms of the farm-out agreement entered into on June 18, 2013 with Total and CNPC the Company is only required to contribute 11.11% or USD 9 million of the first USD 80 million of the initial work programme. As at March 31, 2015, the joint venture partners had contributed USD 36.8 million to the Bokhtar Operating Company of which the Company's share was USD 4.1 million. At March 31, 2015, Bokhtar had contractual commitments not yet incurred or accrued of USD 68.9 million relating to seismic acquisition. Tethys share is approximately USD 13 million.

Georgia

The Company has a 49% interest in three blocks in Eastern Georgia and is responsible for funding its percentage interest share in the work programmes.

Work programmes on Block XIN have been renegotiated with the Georgian Government (although yet to be ratified) where the Company plans to conduct a ground gravity survey through new operator NOC by July 1, 2015 at an estimated gross cost of USD 0.5 million instead of the 100km of seismic studies previously specified.

Operating leases

Leases as a lessee:

Operating leases consist primarily of leases for offices. Lease commitments are as follows:

March 31, 2015	Total	Less than 1 year	1 – 3 years	Greater than 3 years
Operating leases	2,181	943	939	299

Risks, Uncertainties and Other Information

Readers are encouraged to read and consider the risk factors and additional information regarding the Company, included in its 2014 Annual Information Form filed with the Canadian securities regulators, a copy of which is posted on the SEDAR website at www.sedar.com

Risk management is carried out by senior management, in particular, the Executive Board of Directors. The Company has identified its principal risks for 2014 to include:

- Liquidity;
- Retention and extension of existing licences and development thereof with respect to success rates. Considerable technical work is undertaken to reduce related areas of risk and maximise opportunities;
- Production volume – both oil and gas;
- Political, fiscal and related risks.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including: market risk, credit risk, liquidity risk, interest rate and foreign exchange risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Executive Board of Directors has overall responsibility for the Company's management of risk, including the identification and analysis of risks faced by the Company and the consideration of controls that monitor changes in risk and minimise risk wherever possible.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk arises from the Company's loans receivable from jointly controlled entities, cash and cash equivalents and accounts receivable balances.

With respect to the Company's financial assets the maximum exposure to credit risk due to default of the counter party is equal to the carrying value of these instruments. The maximum exposure to credit risk as at the reporting date is:

	March 31 2015	December 31 2014
Cash and cash equivalents	5,280	3,112
Restricted cash	659	739
Total	**5,939**	**3,851**
Assets of a disposal group held for sale (Kazakhstan):		
Trade receivables	2,546	1,540
Cash and cash equivalents	1,707	757
Restricted cash	2,002	1,922
Loans receivable from jointly controlled entities	2,411	1,500
Total	**8,666**	**5,719**
Total	**14,605**	**9,570**

Concentration of credit risk associated with the above trade receivable balances in Kazakhstan is as a result of contracted sales to two customers during the period. The Company does not believe it is dependent upon these customers for sales due to the nature of gas products and the associated market. The Company's sales in Kazakhstan commenced in December 2007 and the Company has not experienced any credit loss to date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. Since inception, the Company has incurred significant consolidated losses from operations and negative cash flows from operating activities, and has an accumulated deficit at March 31, 2015. Refer also to the section on Financing and Going Concern on page 15.

The Company's processes for managing liquidity risk includes preparing and monitoring capital and operating budgets, co-ordinating and authorizing project expenditures and ensuring appropriate authorization of contractual agreements. The budget and expenditure levels are reviewed on a regular basis and updated when circumstances indicate change is appropriate. The Company seeks additional financing based on the results of these processes.

The following are the contractual maturities of financial liabilities, including estimated interest payments at March 31, 2015:

	Contractual cash flows	Less than one year	1 – 3 years	4 – 5 years	Thereafter
Trade and other payables	3,171	3,171	-	-	-
Financial borrowings	22,582	6,695	15,887	-	-
Total	**25,753**	**9,866**	**15,887**		
Liabilities of a disposal group held for sale (Kazakhstan):					
Trade and other payables	6,239	6,050	167	22	-
Financial borrowings	5,217	4,707	510	-	-
Total	**11,456**	**10,757**	**677**	**22**	**-**
Total contractual obligations	**34,038**	**17,452**	**16,564**	**22**	**-**

There can be no assurance that debt or equity financing will be available or, sufficient to meet the Company's requirements or, if debt or equity financing were available, that it would be on terms acceptable to the Company. The Company is currently reliant on obtaining additional debt or equity funding to continue as a going concern. Inability of the Company to access sufficient capital for its operations could have a material impact on the Company's financial condition, timing of activities and results of operations and prospects.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Existing long term debt is agreed at fixed interest rates and consequently the Company has limited exposure to changes in market interest rates.

The Company is exposed to interest rate risk on short term deposits to the extent that reductions in market interest rates would result in a decrease in the interest earned by the Company. An increase or decrease of 100 basis points would have had a minimal impact on the Company's results for the period.

Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar. In addition, a portion of expenditures in the U.K., Kazakhstan, Tajikistan and Georgia are denominated in local currency: GBP, Tenge, Somoni and Lari respectively. The Company also attempts to negotiate exchange rate stabilization conditions in local Tenge denominated service and supply contracts in Kazakhstan.

The Company holds the majority of its cash and cash equivalents in US dollars. However, the Company does maintain deposits in other currencies, as disclosed in the following table, in order to fund ongoing general and administrative activity and other expenditure incurred in these currencies.

The carrying amounts of the Company's significant foreign currency denominated monetary assets and liabilities at March 31, 2015 are as follows:

In USD equivalent	**GBP ’000**	**KZT ’000**
Cash and cash equivalents	1,498	1,695
Trade and other receivables	67	9,999
Trade and other payables	(227)	(1,938)
Financial liabilities –borrowings	(2,533)	(4,641)
Net exposure	**(1,195)**	**5,115**

The following table details the Company's sensitivity to a 10% movement in US dollars against the respective foreign currencies, which represents management's assessment of a reasonably likely change in foreign exchange rates.

Effect in USD’000	**GBP ’000**	**KZT ’000**
Profit or (loss) before tax	**(128)**	**512**

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan, Tajikistan or Georgia to foreign entities. However, there can be no assurance, that restrictions on repatriation of capital or distributions of earnings will not be imposed in the future. Moreover, there can be no assurance that the Tenge, Somoni or Lari will continue to be exchangeable into US Dollars or that the Company will be able to exchange sufficient amounts of Tenge, Somoni or Lari into US Dollars or Pounds Sterling to meet its foreign currency obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as marketability of production and commodity prices.

- *Marketability of Production*

The marketability and ultimate commerciality of oil and gas acquired or discovered is affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment and government regulation. Tethys produces gas into the transcontinental gas trunkline system which ultimately supplies gas to Russia, Europe and now potentially China. Political issues, system capacity constraints, export issues and possible competition with Russian gas supplies may in the future cause problems with marketing production, particularly for export. Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position.

- *Commodity price risk*

Oil and gas prices are unstable and are subject to fluctuation. Any material decline in oil and/or natural gas prices could result in a reduction of the Company's net production revenue and overall value and could result in ceiling test write downs. In Kazakhstan, the Company has fixed price (Tenge) gas contracts up to the end of 2015, although there is potential to discuss a re-alignment of price with the buyers in the event of Tenge / USD devaluation greater than 10%.

The Company's oil contract in Kazakhstan is subject to commodity price fluctuation and it may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. The Company might also elect not to produce from certain wells because of lower prices. These factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities.

Fluctuations in oil and gas prices could materially and adversely affect the Company's business, financial condition, results of operation and prospects. There is no government control over the oil and gas price in the countries where the Company operates.

Although the Company believes that the medium to long term outlook for oil and gas prices in the region is good, the recent events in various parts of the world demonstrate the volatility and uncertainties of the oil and gas industry. Also, consideration needs to be given to production and other factors such as OPEC, refinery shut-ins and inventory. Any discussion of price or demand is subjective and, as such, there are many differing opinions on the cause of recent price changes.

As previously stated gas production from both the Kyzyloi and Akkulka contracts in Kazakhstan is sold at fixed prices, at least until the end of 2015, and so the fluctuation in world commodity prices should have no effect on the Company's revenue from the Kazakh gas operations up to the end of 2015, however, it would be affected by exchange rate risk, see "Sensitivities".

There were no commodity price financial derivatives outstanding as at March 31, 2015 or March 31 2014.

Environmental

The Company's operations are subject to environmental, safety and health and sanitary regulations in the jurisdictions in which it operates. Whilst the Company believes that it carries out its activities and operations in material compliance with these environmental, safety and health and sanitary regulations, there can be no guarantee that this is the case. In Kazakhstan, quarterly reports are required to be submitted by the Company to the Shalkar (Bozoi) Tax Committee. The Company is also required to prepare reports on any pollution of air, toxic waste and current expenses on environmental protection which have been made by the Company and which are submitted to the appropriate Kazakh authorities. Reports are submitted on a semi-annual basis for information purposes and no payments are applicable. In Tajikistan and Georgia the Company is subject to environmental regulation through its joint venture partner operating companies and its activities are subject to inspection by the appropriate authority in that country.

At present, the Company believes that it meets satisfactory environmental standards in all material respects in all of the areas in which it operates, and has included appropriate amounts in its capital expenditure budget to continue to meet its current environmental obligations. However, the discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Political & regulatory

The Company decided in December 2013 and announced on January 2, 2014 that it had made a decision to exit Uzbekistan and surrender its rights under the PEC due to changes in the business climate and political environment. The Company's decision was principally as a result of problems encountered by Tethys Production Uzbekistan (the trading name of the Company's subsidiary, Baker Hughes (Cyprus) Limited, ("BHCL") in receiving allocation and payment for the delivery of crude oil to the Fergana refinery. Uzbek authorities have requested access to certain records of BHCL. Such inspections are relatively commonplace in the fSU. To date, the Company has received two claims as a result of the tax inspection undertaken, the risk of crystallization of these claims is considered by the Company to be remote. In addition, the Company has incurred expenses relating to its exit from Uzbekistan, for which provision has been made. Moreover, as a result of problems encountered by the Company with the Fergana refinery, the Company may be unable to recover payment for oil previously delivered to the Fergana refinery (estimated at USD1.6 million) which has been written down in the audited 2013 Annual Consolidated Financial Statements. Political, regulatory and similar risks are reviewed by the Board at which mitigating strategies and policies are discussed and agreed.

Sensitivities

The price of gas sales from gas produced from both the Kyzyloi and Akkulka gas fields under Gas Supply Contracts is fixed in Tenge until December 31, 2015 and hence will be sensitive to a fluctuation in exchange rate. A 20% devaluation of the Tenge, from 185.31 to 222.37 for example, would result in a net price reduction of USD12.28 per Mcm (i.e. USD61.38 from USD73.66). On production of 111,723 Mcm per annum, this would result in a reduction of USD1,371,958 in gas revenue.

The price of oil sales from the Doris discovery is sensitive to movements in the market price. On a production level of 1,195 bopd, a movement of USD1 per barrel on the price received by the Company would result in a plus or minus movement in oil sales revenue of USD436,175 per annum.

Critical Accounting Policies and Estimates

The annual and Condensed Consolidated Interim Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRIC Interpretations issued by the IFRS Interpretations Committee. Please refer to the 2014 Consolidated Financial Statements - Note 2 *Summary of Significant Accounting Policies* and Note 4 – *Critical Judgements and Accounting Estimates* – for further detailed discussion.

Derivative Financial Instruments

The Company has a warrant liability representing a financial liability relating to share warrants where the shares are denominated in a currency that is not the Company's functional currency. Full details are disclosed in note 21.2 of the audited 2014 Consolidated Financial Statements.

Disclosure and Internal Controls

Disclosure and Internal Controls Over Financial Reporting

As at March 31, 2015, an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at March 31, 2015, the design and operation of the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements.

Management has designed and implemented, under the supervision of the CEO and CFO, a system of internal controls over financial reporting which it believes is effective for a company of its size. Management has not identified any material weaknesses relating to the design of these internal controls and consequently, the CEO and CFO have concluded that internal control over financial reporting was effective as at March 31, 2015, and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published an updated Internal Control – Integrated Framework and related illustrative documents, which will supersede the 1992 COSO Framework as of December 15, 2014. As of March 31, 2015, the Company was utilizing the original framework published in1992, but is transitioning to the 2013 COSO Framework as it relates to its internal control over financial reporting.

The Company's CEO and CFO have filed certifications with the Canadian securities regulators regarding the quality of the Company's public disclosures relating to the period ending March 31, 2015.

Significant equity investees

Details of significant equity investees are discussed in note 26 of the 2014 audited Consolidated Financial Statements.

Forward-looking statements

In the interest of providing Tethys' shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Tethys' and its subsidiaries' future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements in this MD&A include, but are not limited to, statements with respect to: the projected 2015 capital investments projections, and the potential source of funding therefore. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Company's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks, uncertainties and assumptions include, among other things: volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; ability to successfully complete proposed equity financings; product supply and demand; market competition; ability to realise current market gas prices; risks inherent in the Company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserve estimates and estimates of recoverable quantities of oil and natural gas and other sources not currently classified as proved; the Company's and its subsidiaries' ability to replace and expand oil and gas reserves; the ability of the Company to farm out or sell its Georgian assets; unexpected cost increases or technical difficulties in constructing pipeline or other facilities; unexpected delays in its drilling operations; delays in the delivery of its drilling rigs; unexpected difficulties in, transporting oil or natural gas; risks associated with technology; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations and continue as a going concern; the risk that the SinoHan transaction will not complete as expected; the Company's ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; the Company will not be successful in negotiating binding terms for the export of gas and oil to China at prices significantly higher than prices currently realized; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the Company and its subsidiaries operate; the risk of international war, hostilities and terrorist threats, civil insurrection and instability affecting countries in which the Company and its subsidiaries operate; risks associated with existing and potential future lawsuits and regulatory actions made against the Company and its subsidiaries; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Tethys.

With regard to forward looking information contained in this MD&A, the Company has made assumptions regarding, amongst other things, the continued existence and operation of existing pipelines; the proposed increase in the selling price for the delivery of gas and crude oil to China; future prices for natural gas; future currency and exchange rates; the Company's ability to generate sufficient cash flow from operations and access to capital markets to meet its future obligations and ability to continue as a going concern; the completion of the SinoHan transaction as expected; the regulatory framework representing mineral extraction taxes, royalties, taxes and environmental matters in the countries in which the Company conducts its business, gas production levels; that it will be able to farm out or sell its Georgian assets; and the Company's ability to obtain qualified staff and equipment in a timely and cost effective manner to meet the Company's demands. Statements relating to "reserves" or "resources" or "resource potential" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Although Tethys believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A and, except as required by law, Tethys does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Tethys Petroleum Limited

Interim Financial Information
(Unaudited)
March 31, 2015

The Tethys Petroleum Limited Interim Report and Accounts consists of two documents as detailed below:

1) **Management's Discussion & Analysis: this includes the requirement of National Instrument 51-102 Canadian Securities Administrators ("Canadian NI 51-102") in respect of a quarterly Management's Discussion & Analysis and the requirements of the UK's Disclosure & Transparency Rules with respect to DTR4.3 Interim management statements; and**

2) **Interim financial information: this includes the Condensed Consolidated Interim Financial Statements, the requirements of Canadian NI 51-102 with respect to a quarterly financial report and the requirements of the UK's Disclosure & Transparency Rules with respect to DTR4.3 Interim management statements, a Directors' Responsibility Statement.**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of Tethys Petroleum Limited have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CONTENTS

Responsibility Statement of the Directors' in Respect of the Interim Report and Accounts

We confirm on behalf of the Board that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the interim report and accounts includes a fair review of the information required by DTR4.3 Interim management statements.

We draw attention to the section entitled "Going Concern" in Note 2 to the Condensed Consolidated Financial Statements which describes the material uncertainties relating to the Company's adoption of the going concern basis in preparing the Financial Statements for the period ended March 31, 2015.

For and on behalf of the Board

J. Bell
Executive Chairman
May 15, 2015

D.S. Lay
Chief Financial Officer
May 15, 2015

Tethys Petroleum Limited

Condensed Consolidated Statement of Financial Position (unaudited)
(in thousands of US dollars)

	Note	As at March 31, 2015	As at December 31, 2014
Non-current assets			
Intangible assets	7	48,771	47,630
Property, plant and equipment	8	13,116	13,804
Restricted cash	9	-	623
Investment in joint arrangements		4	4
Deferred tax	5	255	258
		62,146	**62,319**
Current assets			
Cash and cash equivalents		5,280	3,112
Trade and other receivables		756	634
Restricted cash	9	659	116
Assets of a disposal group classified as held for sale	10	174,719	172,514
		181,414	**176,376**
Total assets		**243,560**	**238,695**
Equity			
Share capital	13	33,659	33,645
Share premium		321,746	321,724
Other reserves		42,956	42,845
Accumulated deficit		(200,633)	(198,560)
Non-controlling interest		6,094	6,096
Total equity		**203,822**	**205,750**
Non-current liabilities			
Financial liabilities - borrowings	11	11,468	5,489
		11,468	**5,489**
Current liabilities			
Financial liabilities - borrowings	11	5,169	5,139
Derivative financial instruments – warrants	12	1,870	-
Current taxation		274	364
Trade and other payables		3,171	4,102
Provisions		966	1,759
Liabilities of a disposal group classified as held for sale	10	16,820	16,092
		28,270	**27,456**
Total liabilities		**39,738**	**32,945**
Total equity and liabilities		**243,560**	**238,695**
Going concern	2		
Commitments and contingencies	16		

The notes on pages 6 to 24 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 15, 2015 and were signed on its behalf.

J. Bell
Executive Chairman

D.S. Lay
Chief Financial Officer

Tethys Petroleum Limited

Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)
(in thousands of US dollars except per share information)

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Sales and other revenues	3	5,954	6,781
Sales expenses		(1,102)	(744)
Production expenses		(2,608)	(3,798)
Depreciation, depletion and amortization		(674)	(151)
Business development expenses		-	(740)
Administrative expenses		(2,821)	(5,126)
Restructuring costs		(319)	-
Transaction costs of assets held for sale		(120)	(15)
Share based payments		(147)	(119)
Profit on sale of assets		14	-
Foreign exchange (loss)/gain - net		(6)	7
Fair value gain/(loss) on derivative financial instrument - net		1,078	(19)
Loss from jointly controlled entity		(250)	(1,203)
Finance costs - net		(579)	(603)
Loss before taxation from continuing operations		**(1,580)**	**(5,730)**
Taxation	5	(454)	1,321
Loss for the period from continuing operations		**(2,034)**	**(4,409)**
Loss for the period from discontinued operations net of tax		**(41)**	**(492)**
Loss and total comprehensive income for the period		**(2,075)**	**(4,901)**
Loss and total comprehensive income attributable to:			
Shareholders		(2,069)	(4,849)
Non-controlling interest		(2)	(52)
Loss and total comprehensive income for the year		**(2,075)**	**(4,901)**
Loss per share attributable to shareholders:			
Basic and diluted - from continuing operations	6	(0.01)	(0.01)
Basic and diluted - from discontinued operations	6	**-**	**-**

No dividends were paid or are declared for the period (2014 – none).

The notes on pages 6 to 24 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Unaudited Condensed Consolidated Statements of Changes in Equity (unaudited)
(in thousands of US dollars)

		Attributable to shareholders						
	Note	Share capital	Share premium	Accumulated deficit	Option reserves	Warrant reserves	Non-controlling interest	Total equity
Balance at January 1, 2014		**28,756**	**307,295**	**(182,533)**	**26,020**	**16,601**	**6,454**	**202,593**
Comprehensive loss for the period		-	-	(4,849)	-	-	(52)	(4,901)
Transactions with shareholders								
Shares issued		1,200	4,550	-		-	-	5,750
Share issue costs		-	(48)	-		-	-	(48)
Share-based payments		-	-	-	119	-	-	119
Total transactions with shareholders		**1,200**	**4,502**	**-**	**119**	**-**	**-**	**5,821**
Balance at March 31, 2014		**29,956**	**311,797**	**(187,382)**	**26,139**	**16,601**	**6,402**	**203,513**
Comprehensive loss for the period		-	-	(11,178)	-	-	(306)	(11,484)
Transactions with shareholders								
Shares issued		3,689	11,258	-	-	-	-	14,947
Share issue costs		-	(1,331)	-	-	-	-	(1,331)
Share-based payments		-	-	-	105	-	-	105
Total transactions with shareholders		**3,689**	**9,927**	**-**	**105**	**-**	**-**	**13,721**
Balance at December 31, 2014	**13**	**33,645**	**321,724**	**(198,560)**	**26,244**	**16,601**	**6,096**	**205,750**
Comprehensive loss for the period		-	-	(2,073)	-	-	(2)	(2,075)
Transactions with shareholders								
Shares issued	4	14	22	-	-	-	-	36
Share-based payments	4	-	-	-	111	-	-	111
Total transactions with shareholders		**14**	**22**	**-**	**111**	**-**	**-**	**147**
Balance at March 31, 2015	**13**	**33,659**	**321,746**	**(200,633)**	**26,355**	**16,601**	**6,094**	**203,822**

The option reserve and warrant reserve are denoted together as “other reserves” on the condensed consolidated statement of financial position. These reserves are non-distributable.

The notes on pages 6 to 24 form part of these condensed consolidated financial statements.

Tethys Petroleum Limited

Condensed Consolidated Statements of Cash Flows (unaudited)
(in thousands of US dollars)

	Note	Three months ended March 31, 2015	2014
Cash flow from operating activities			
Loss before taxation from continuing operations		(1,580)	(5,730)
Loss before tax from discontinued operations		(41)	(492)
Adjustments for			
Share based payments		146	119
Net finance cost		579	603
Depreciation, depletion and amortization		674	151
Fair value (gain)/loss on derivative financial instruments		(1,078)	19
Net unrealised foreign exchange (gain)/loss		(121)	11
Loss from jointly controlled entity		250	1,203
Profit on disposal		(15)	-
Movement in provisions		(793)	(142)
Net change in working capital	15	641	91
Cash used in operating activities		**(1,338)**	**(4,167)**
Corporation tax paid		(130)	(138)
Net cash used in operating activities		**(1,468)**	**(4,305)**
Cash flow from investing activities			
Interest received		45	50
Expenditure on exploration and evaluation assets		(1,205)	(3,217)
Expenditures on property, plant and equipment		(742)	(4,049)
Proceeds from disposal of property, plant and equipment		16	-
Movement in restricted cash		(4)	-
Movement in advances to construction contractors		91	953
Movement in value added tax receivable		352	(269)
Net change in working capital	15	(2,128)	258
Net cash used in investing activities		**(3,575)**	**(6,274)**
Cash flow from financing activities			
Proceeds from issuance of borrowings, net of issue costs		9,135	6,707
Repayment of borrowings		(467)	(6,030)
Interest paid on borrowings		(354)	(484)
Share issue costs		-	(48)
Movement in other non-current liabilities		(28)	(71)
Net cash generated from financing activities		**8,286**	**74**
Effects of exchange rate changes on cash and cash equivalents		(124)	99
Net increase/(decrease) in cash and cash equivalents		**3,119**	**(10,406)**
Cash and cash equivalents at beginning of the period		3,868	25,731
Cash and cash equivalents at end of the period		**6,987**	**15,325**
Cash and cash equivalents at end of the period comprises:			
Cash in assets of a disposal group held for sale	10	1,707	1,627
Cash and cash equivalents		5,280	13,698
		6,987	**15,325**

The notes on pages 6 to 24 form part of these condensed consolidated interim financial statements.

1 General information

The principal executive office of Tethys Petroleum Limited and its subsidiaries (collectively "Tethys" or the "Company") is in Guernsey, British Isles. The domicile of Tethys Petroleum Limited is the Cayman Islands, where it is incorporated. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands. Tethys is an oil and gas company operating within the Republic of Kazakhstan, Republic of Uzbekistan, Republic of Tajikistan and Georgia. Tethys' principal activity is the acquisition of and exploration and development of crude oil and natural gas fields.

The Company has its primary listing on the Toronto Stock Exchange (TSX) and a standard listing on the London Stock Exchange (LSE).

2 Basis of preparation and accounting policies

The annual consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations issued by the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority ('FCA') in the United Kingdom as applicable to interim financial reporting and do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements reported for the year ended December 31, 2014.

Discontinued operation

The results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia.

Disposal group held for sale

The Company has announced the sale of a 50% plus one share interest in the subsidiary company which owns its Kazakhstan businesses. The assets and liabilities of the Company's Kazakhstan businesses have therefore been grouped together in the Consolidated Statement of Financial Position as "assets of a disposal group held for sale" and shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities. Refer also note 17, Subsequent events.

Going concern

The Management and the Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the Condensed Consolidated Interim Financial Statements in determining the ability of the Company to adopt the going concern basis in preparing the Condensed Consolidate Interim Financial Statements for the period ended March 31, 2015. The Company currently does not have sufficient funding to fund its obligations for the next twelve months.

Although these consolidated financial statements have been prepared on a going concern basis in accordance with IFRS, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, events and uncertainties arising subsequent to the balance sheet date and which are discussed below, raise substantial doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company reported a loss of USD2.1 million for the quarter ending March 31, 2015 (2014: USD4.9 million) and an accumulated deficit of USD200.6 million (2014: USD198.6 million) at that date and negative working capital of USD4.8 million (December 31 2014: negative USD7.5 million) excluding items classified as held for sale.

On November 2, 2013, Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. ("SinoHan"), part of the HanHong Private Equity Management Company Limited, a Beijing, PRC based private equity fund, for USD75 million. Completion was dependent on the Company receiving Kazakh governmental permission and waiver of the States' pre-emptive right (article 36 of Kazakhstan law on Subsoil and Subsoil Use) which have not been received as at March 31, 2015 and which is beyond the Company's control.

In view of the delay, the Company agreed an extension of the Longstop Date under the Sale and Purchase Agreement with SinoHan until May 1, 2015. The Company had an obligation to undertake a number of significant Conditions Precedent ("CPs") prior to completion of the sale, including receipt of the approval from the Ministry of Energy, which the Company was actively pursuing up until the Longstop Date, however on May 1, 2015, the Company announced that the main approval required from the MOE had not been received. Although the Company explored the possibility of further extending the Longstop date with SinoHan, SinoHan confirmed that it did not wish to enter into a further extension of the agreement.

In July 2014, the Company and SinoHan agreed the release of the USD3.88 million deposit placed by SinoHan into escrow upon signature of the Sale and Purchase Agreement to assist with the further implementation of the Kazakh capex programme. This is in the form of a minimal interest bearing loan which was to be deducted from the consideration due from SinoHan on completion.

In consideration for SinoHan agreeing to extend the Longstop Date, the Company has agreed that it shall be responsible for legal and other costs and expenses incurred by SinoHan pursuant to the Sale and Purchase Agreement up to a maximum aggregate amount of USD700,000 in the event that the CPs are not met or are waived by the Longstop Date and the Buyer has complied with its obligations.

As the deal has not completed by the Longstop date of May 1, 2015, the above described USD3.88m advance becomes repayable within 10 days upon request from SinoHan where SinoHan is in compliance with its obligations under the Sale and Purchase agreement (refer to note 11). On May 8, 2015 the Company received a demand for repayment of the loan. The Company is currently in discussions with SinoHan on matters relating to the termination of the sale and purchase agreement, including the USD3.88m loan and USD700,000 costs.

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Tethys' future operations and earnings will depend upon the results of Tethys' operations in the Republic of Kazakhstan, Tajikistan and Georgia. There can be no assurance that Tethys will be able to successfully conduct such operations, and a failure to do so would have a material adverse effect on Tethys' financial position, results of operations and cash flows. Also, the success of Tethys' operations will be subject to numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, prices for crude oil and natural gas, competition and changes in regulation. Since Tethys is dependent on international operations, Tethys will be subject to various additional political, economic and other uncertainties. Among other risks, Tethys' operations may be subject to the risks and restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to support the Company's short term liquidity position, which has been adversely affected by the recent decrease in world oil prices, management has been implementing a cost reduction programme with respect to its operational and G&A costs and during the quarter it sourced two separate loans under which it raised total net proceeds of USD9.26 million. Following the period end, the Company has secured debt financing amounting to USD7.5m (refer to note 17).

As the SinoHan transaction has not completed by the Longstop Date, the Company will need to secure additional funding in order to meet its contractual obligations which include the Tajik Bokhtar licence and Kazakh Exploration and Production licences (refer to note 16). The cessation of cash call payments to the Bokhtar Joint Operating Company would potentially dilute the Company's equity interest and failure to meet its Kazakh commitments could potentially result in the confiscation of licences.

The Company has been and actively continues to explore strategic initiatives which include the potential sale of the Company and/or farm downs of its Kazakh, Tajik or Georgian assets as well as evaluating equity proposals and debt financing.

There can be no assurances that management will be successful with these initiatives.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the additional funding required to meet capital expenditure programs including its contractual obligations, its ability to renew and maintain access to debt facilities, equity issuances, manage risks associated with depressed oil prices and potential Tenge devaluation and ability to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

New accounting policies

No new standards or amendments to standards have been introduced for the current accounting period which would have a material impact on the Company.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

(tabular amounts in thousands of US dollars)

There are no significant new or amended standards that have been early adopted by the Company.

3 Segmental Reporting

Geographical segments

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions. Reports provided to the Executive Directors with respect to segment information are measured in a manner consistent with that of the consolidated financial statements. The assets and liabilities are allocated based on the operations of the segment and for assets, the physical location of the asset.

The Executive Directors consider the business from predominantly a geographic perspective and the Company currently operates in three geographical markets: Kazakhstan, Georgia and Tajikistan. The company has discontinued operations in Uzbekistan and the results for the Uzbekistan segment have been shown separately from the rest of the Company.

In Kazakhstan, the Company is producing oil and gas from the Kyzyloi and Akkulka fields and is undertaking exploration and evaluation activity in the Kul-bas field. In Tajikistan and Georgia, the Company is currently undertaking exploration and evaluation activity.

The Company also operates a corporate segment which acquired a number of drilling rigs and related oil and gas equipment which are utilised according to operational requirements.

The segment results for the three months ended March 31, 2015 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	4,706	-	-	-	4,706	-
Oil sales	1,245	-	-	-	1,245	-
Other income	3	-	-	-	3	-
Other operating income	-	-	-	342	342	-
Segment revenue and other income	**5,954**	**-**	**-**	**342**	**6,296**	**-**
Inter-segment revenue	-	-	-	(342)	(342)	-
Segment revenue and other income from external customers	**5,954**	**-**	**-**	**-**	**5,954**	**-**
Loss from jointly controlled entity	(250)	-	-	-	(250)	-
Profit / (loss) before taxation	**823**	**(55)**	**-**	**(2,348)**	**(1,580)**	**(41)**
Taxation	(411)	-	-	(44)	(454)	-
Net profit / (loss) for the period	**412**	**(55)**	**-**	**(2,392)**	**(2,034)**	**(41)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD8,639 and USD20,753 incurred in the Corporate segment were capitalised in the Kazak and Tajik segments respectively during the period.

(tabular amounts in thousands of US dollars)

The segment results for the three months ended March 31, 2014 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	2,393	-	-	-	2,393	-
Oil sales	4,223	-	-	-	4,223	-
Refined product sales	-	-	-	-	-	-
Other income	5	160	-	-	165	-
Other operating income	-	-	-	1,207	1,207	-
Segment revenue and other income	**6,621**	**160**	**-**	**1,207**	**7,988**	**-**
Inter-segment revenue	-	-	-	(1,207)	(1,207)	-
Segment revenue and other income from external customers	**6,621**	**160**	**-**	**-**	**6,781**	**-**
Profit from jointly controlled entity	(1,203)	-	-	-	(1,203)	-
Profit / (loss) before taxation	**(389)**	**(80)**	**(4)**	**(5,257)**	**(5,730)**	**(492)**
Taxation	1,326	-	-	(5)	1,321	-
Net profit / (loss) for the period	**937**	**(80)**	**(4)**	**(5,262)**	**(4,409)**	**(492)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD25,321 and USD111,061 incurred in the Corporate segment were capitalised in the Kazak and Tajik segments respectively during the period.

The segment assets and liabilities as at March 31, 2015 and capital expenditures for the three months then ended are as follows:

	Kazakhstan[2]	Tajikistan	Georgia	Uzbekistan	Other and Corporate	Group
Total assets	174,719	36,188	12,405	3	20,245	243,560
Total liabilities	16,820	1,290	129	142	21,357	39,738
Cash expenditure on exploration & evaluation assets, property, plant and equipment	828	867	252	-	-	1,947

Note 2 Assets of a disposal group held for sale, refer to note 10 for further details.

(tabular amounts in thousands of US dollars)

The segment assets and liabilities as at March 31, 2014 and capital expenditures for the three months then ended are as follows:

	Kazakhstan[2]	Tajikistan	Georgia	Uzbekistan	Other and Corporate	Group
Total assets	158,793	31,837	10,760	71	31,420	232,881
Total liabilities	18,624	994	307	1,153	8,290	29,368
Cash expenditure on exploration & evaluation assets, property, plant and equipment	5,375	877	778	-	236	7,266

Note 2 Assets of a disposal group held for sale, refer to note 10 for further details.

4 Share-based payments

Share options

Full details of the share options and stock incentive plan are outlined in the Company's annual consolidated financial statements for the year ended December 31, 2014. The options under the plan vest in three tranches over either two or three years. These options are equity settled share based payment transactions.

The following tables summarize the stock option activity for the period ended March 31, 2015 and March 31, 2014.

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2014	33,707,400	1.35
Granted	120,000	0.72
Outstanding at March 31, 2014	**33,827,400**	**1.34**
Exercisable at March 31, 2014	**31,788,400**	**1.38**
Outstanding at January 1, 2015	15,362,400	1.58
Granted	10,022,500	0.23
Expired	(2,868,600)	1.55
Outstanding at March 31, 2015	**22,516,300**	**0.98**
Exercisable at March 31, 2015	**13,313,800**	**1.50**

(tabular amounts in thousands of US dollars)

Share awards

The Company's Executive Chairman, John Bell, is entitled under his service contract to receive 30% of his base salary in the Company's shares at a fixed price of GBP0.1684. During the period 90,478 shares were issued to John Bell under this arrangement.

In respect of both share options and share awards a charge for the value of services of USD146,289 (2014 – USD119,094) was recorded for the period.

Warrants

The following tables summarize the warrant activity for the period ended March 31, 2015 and March 31, 2014.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2014	2,267,038	2.38
Expired	(64,500)	0.77
Outstanding at March 31, 2014	**2,202,538**	**2.43**
Exercisable at March 31, 2014	**2,202,538**	**2.43**
Outstanding at January 1, 2015	2,090,000	2.50
Granted	-	-
Expired	-	-
Outstanding at March 31, 2015	**2,090,000**	**2.50**
Exercisable at March 31, 2015	**2,090,000**	**2.50**

There are no performance conditions attached to the warrants and all the granted warrants were immediately vested. Warrants are equity settled share based payment transactions. The warrants granted above were issued in connection with commissions payable to brokers with respect to the Rig loans rolled over in 2012 and 2013.

(tabular amounts in thousands of US dollars)

5 Taxation

Tethys is domiciled in the Cayman Islands which has no Company income tax. The Company also operates in other tax jurisdictions, the most significant of which is Kazakhstan where the tax rate is 20%.

The provision for income taxes is different from the expected provision for income taxes for the following reasons:

	Three months ended March 31, 2015	March 31, 2014
Loss before income taxes from continuing operations	(1,580)	(5,730)
Income tax rate	20%	20%
Expected income tax recovery	**(316)**	**(1,146)**
Increase/(decrease) resulting from:		
Non-deductible expenses net of functional currency foreign exchange impact [1]	(333)	(4,248)
Revisions in tax estimates and foreign exchange impact on tax pools [1]	398	2,321
Impact of effective tax rates in other foreign jurisdictions	379	596
Losses and tax assets not utilised/recognised	326	1,156
	454	**(1,321)**
Current tax expense	43	-
Deferred tax expense / (benefit)	411	(1,321)
	454	**(1,321)**

Note 1 – amounts were significantly affected by the devaluation of the Kazakh Tenge during the prior period.

The temporary differences comprising the net deferred income tax liability are as follows:

	March 31, 2015	December 31, 2014
Capital assets	-	-
Tax losses	(255)	(258)
Other	-	-
Net deferred tax (asset)	**(255)**	**(258)**
Liabilities of disposal group (note 10)		
Capital assets	7,476	7,249
Tax losses	(2,839)	(3,034)
Other	82	348
Net deferred tax liability	**4,719**	**4,563**

(tabular amounts in thousands of US dollars)

6 Loss per share

	Loss for the period	Weighted average number of shares (thousands)	Per share amount $
Three months ended March 31, 2014			
Loss from continuing operations attributable to ordinary shareholders – Basic and diluted	(4,357)	299,558	(0.01)
Loss from discontinued operations attributable to ordinary shareholders – Basic and diluted	(492)	299,558	-
Three months ended March 31, 2015			
Loss from continuing operations attributable to ordinary shareholders – Basic and diluted	(2,027)	336,520	(0.01)
Profit from discontinued operations attributable to ordinary shareholders – Basic and diluted	(41)	336,520	-

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares, including share options and warrants, are considered to be anti-dilutive and have therefore been excluded from the diluted per share calculation.

7 Intangible assets

	Exploration and evaluation assets		
	Georgia	Tajikistan	Total
At December 31, 2014			
Cost	11,996	35,634	47,630
Accumulated amortisation and impairment	-	-	-
Net book amount	**11,996**	**35,634**	**47,630**
Three months ended March 31, 2015			
Opening net book amount	11,996	35,634	47,630
Additions	253	888	1,141
Closing net book amount	**12,249**	**36,522**	**48,771**
At March 31, 2015			
Cost	12,249	36,522	48,771
Accumulated amortisation and impairment	-	-	-
Net book amount	**12,249**	**36,522**	**48,771**

(tabular amounts in thousands of US dollars)

8 Property, plant and equipment

	Oil and gas equipment	Vehicles	Office and computer equipment	Total
At December 31, 2014				
Cost	22,184	639	1,051	23,874
Accumulated depreciation and impairment	(8,882)	(499)	(689)	(10,070)
Net book amount	**13,302**	**140**	**362**	**13,804**
Three months ended March 31, 2015				
Opening net book amount	13,302	140	362	13,804
Disposals	-	-	(68)	(68)
Depreciation	(628)	(27)	(32)	(687)
Accumulated depreciation on disposal	-	-	67	67
Closing net book amount	**12,674**	**113**	**329**	**13,116**
At March 31, 2015				
Cost	22,184	639	983	23,806
Accumulated depreciation and impairment	(9,510)	(526)	(654)	(10,690)
Net book amount	**12,674**	**113**	**329**	**13,116**

9 Restricted Cash

Non Current

	March 31, 2015	December 31, 2014
Restricted cash	-	623

Current

	March 31, 2015	December 31, 2014
Restricted cash	659	116

The above amounts consist of monies placed on temporary deposit as a security against corporate credit cards and a deposit with the Ministry of Finance in Dubai as fixed term deposits with banks. Also included in the current period is a deposit of GBP 400,000 placed as security with respect to amounts owed to Vazon Limited which was shown as non- current in the prior period.

(tabular amounts in thousands of US dollars)

10 Assets and liabilities of disposal group held for sale

On November 1, 2013 Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. part of the HanHong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale was subject to Kazakh State approvals, including the waiver on pre-emption (Article 36 of Kazakhstan law On Subsoil and Subsoil Use). Not all of the required approvals were received by the contract longstop date of May 1, 2015 and so the sale will not proceed, however, the assets and liabilities of the Kazakhstan business have been classified as held for sale in these Condensed Consolidated Financial Statements as they met the relevant criteria at the March 31, 2015 reporting date.

The following table provides additional information with respect to the assets and liabilities of the disposal group held for sale.

	March 31, 2015	December 31, 2014
Non-current assets		
Intangible assets	29,151	29,062
Property, plant and equipment	125,966	125,218
Restricted cash	2,002	1,922
Prepayments and other receivables	5,500	6,075
Investment in jointly controlled entities	-	1,116
	162,619	**163,393**
Current assets		
Inventories	1,369	1,358
Trade and other receivables	6,613	5,506
Loan receivable from jointly controlled entity	2,411	1,500
Cash and cash equivalents	1,707	757
	12,100	**9,121**
Total assets	**174,719**	**172,514**
Non-current liabilities		
Financial liabilities - borrowings	814	2,220
Deferred taxation	4,974	4,563
Trade and other payables	189	206
Asset retirement obligations	966	948
	6,943	**7,937**
Current liabilities		
Financial liabilities - borrowings	3,827	2,651
Trade and other payables	6,050	5,504
	9,877	**8,155**
Total liabilities	**16,820**	**16,092**
Net assets	**157,899**	**156,422**

(tabular amounts in thousands of US dollars)

11 Financial liabilities

	Effective interest rate	Maturity date	March 31, 2015	December 31, 2014
Current				
Escrow loan	Libor + 1% p.a.	2015	3,913	3,901
Rig loans	14.8%p.a.	2017	1,256	1,238
			5,169	**5,139**
Non-current				
Rig loans	14.8% p.a.	2017	5,056	5,489
Corporate loans	31.4% p.a.	2017	6,412	-
			11,468	**5,489**
Liabilities of disposal group (note 10)				
Current				
Kazakh loan	14.0% p.a.-15.9% p.a.	2016	3,827	2,651
Non-current				
Kazakh loan	14.0% p.a.-15.9% p.a.	2016	814	2,220
			4,641	**4,871**

Escrow loan

On July 9, 2014, the Company entered into a loan agreement with SinoHan Oil & Gas Investment Number 6 BV whereby SinoHan agreed an early release of the escrow deposit made in connection with the sale transaction referred to in notes 2, 10 and 17. The loan bears interest at the rate of 1 month US LIBOR plus 1% per annum and is repayable within 10 days upon request from SinoHan where SinoHan is in compliance with its obligations under the Sale and Purchase agreement.

Rig loans

On February 13, 2014, the Company entered into a new loan agreement to seek to borrow up to USD12 million. The loan is secured by the shares of the borrower, a wholly owned subsidiary of the Company, which in turn owns two drilling rigs and other equipment. At March 31, 2015, loans with a face value of USD4.665 million and GBP2.026 million have been borrowed under the agreement.

The lenders receive an initial repayment followed by 34 equal monthly instalments, incorporating interest and capital, together with a single balloon repayment of half of the principal amount at the maturity date.

These borrowings are held at amortized cost with interest payable of 12% per annum and an effective interest rate of 14.76% per annum.

Corporate - New USD6.0 million loan financing

On January 16, 2015 the Company announced that it had secured a new USD6.0 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company has issued the lender with 35,600,000 warrants over the Company's shares with a price of C$0.19. In the event that the Company completes the issuance of any additional new ordinary shares (or options, warrants or other securities convertible into ordinary shares) equal to 7.5% or more of the cumulative aggregate number of outstanding shares, the lender will have the option of surrendering the warrant for a "surrender value" which would be added to the principal amount of the loan and be repayable on the 2 year maturity date. The initial surrender is US$2.1 million and will decrease by 25% every 6 months over the term of the loan. The loan agreement contains events of default and change of control provisions.

Corporate - New USD3.5 million loan financing

On March 10, 2015 the Company secured a new USD3.5 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company has issued the lender with 23,333,333 warrants over the Company's shares with a price of C$0.19. The loan agreement contains events of default and change of control provisions.

Kazakh loan

On June 29, 2012, the Company announced that it had secured a loan facility from a Kazakh bank to fund capital expenditures in Kazakhstan (the "bank loan facility"). The loan balance has been included within the liabilities of a disposal group held for sale, see note 10 for further details.

The bank loan facility was arranged by Eurasia Gas Group LLP, with the Company's consent, and is a bank loan to Eurasia Gas Group LLP, the Company's joint venture partner in Aral Oil Terminal LLP ("AOT"), whereby Eurasia Gas Group LLP draws down on the bank loan facility with the approval of the Company and funds are transferred to the Company's subsidiary, Tethys Aral Gas ("TAG"). The bank loan facility has a term of up to four years depending on the Company's requirements and bears an interest rate of between 12% and 15% per annum on sums drawn down.

In January 2013, the Kazakh loan arrangement was terminated and replaced with an arrangement whereby funds are advanced to the Company and repaid as a deduction against oil revenue. Terms of the arrangement are principally the same (i.e. the principal repayment to be completed by April 2016 with monthly repayments of both principal and interest) and therefore, under IFRS, the amounts advanced continue to be treated as a loan.

As at March 31, 2015, 1.935 billion KZT (USD12.9 million) of funds have been advanced to the Company in relation to the loan agreement, with a remaining repayment period over 3 years and monthly repayments of both principal and interest (at a weighted average effective interest rate of 14.99%).

In the event that oil production is suspended for more than 30 days, the outstanding amount is to be repaid to Eurasia Gas Group LLP within 30 days from the receipt of its notice of return.

Certain oil and gas property assets have been pledged by both TAG and AOT as security for the above-mentioned bank loan facility.

(tabular amounts in thousands of US dollars)

12 Derivative financial instruments - warrants

	March 31, 2015	December 31, 2014
Balance, beginning of period / year	-	17
Issued during the period / year	2,948	-
Fair value gain	(1,078)	(17)
Balance, end of period / year	**1,870**	**-**

The fair value of the liability is estimated using the Black-Scholes pricing model using the following average assumptions:

	March 31, 2015	December 31, 2014
Weighted average fair value	$0.32	N/A
Risk free rate	0.64%	N/A
Expected term	1.8 years	N/A
Volatility	81%	N/A
Dividend	Nil	N/A

The following table summarizes the warrant activity for the periods ended March 31, 2015 and March 31, 2014.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2014	4,125,000	0.81
Expired	(1,819,051)	0.78
Outstanding at March 31, 2014	**2,305,949**	**0.83**
Exercisable at March 31, 2014	**2,305,949**	**0.83**
Outstanding at January 1, 2015	-	-
Issued	58,933,333	-
Outstanding at March 31, 2015	**58,933,333**	**-**
Exercisable at March 31, 2015	**58,933,333**	**-**

There are no performance conditions attached to the warrants and all the granted warrants were immediately vested. Warrants are equity settled share based payment transactions.

(tabular amounts in thousands of US dollars)

13 Share capital

	March 31, 2015 Number	December 31, 2014 Number
Authorized		
Ordinary shares with a par value of $0.10 each	700,000,000	700,000,000
Preference shares with a par value of $0.10 each	50,000,000	50,000,000

Ordinary equity share capital Allotted and fully paid	Number	Share capital	Share Premium
At January 1, 2014	287,557,744	28,756	307,295
Issued during the year – Georgia acquisition	12,000,000	1,200	4,550
Issued during the year – private placement	36,894,923	3,689	11,258
Share issue costs	-	-	(1,379)
At December 31, 2014	**336,452,667**	**33,645**	**321,724**
At January 1, 2015			
Issued during the period	90,478	14	22
At March 31, 2015	**336,543,145**	**33,659**	**321,746**

14 Related party transactions

Transactions between the Company's subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related party transactions with key management personnel

One non-executive directors of the Company participated in the 2014 rig loan financing described in note 11. In addition non-interest bearing advances have been made to three officers of the Company. Amounts advanced during the period and balances outstanding at the end of the period are shown in the table below.

	Three months ended		Balance as at	
	March 31, 2015	March 31, 2014	March 31, 2015	December 31, 2014
Loans advanced to Company:				
Non-executive director	-	150	121	131
Amounts advanced by Company:				
Officer	-	-	13	26
Officer	-	-	46	65
Officer	-	-	6	23

(tabular amounts in thousands of US dollars)

15 Changes in working capital

	Three months ended	
	March 31, 2015	**March 31, 2014**
Trade and other receivables	(1,224)	(1,639)
Inventories	(12)	276
Trade and other payables	(386)	(662)
Change in working capital	**(1,622)**	**(2,025)**
Non-cash transactions	135	2,374
Net changes in working capital	**(1,487)**	**349**

Net changes in working capital are categorized in the Condensed Consolidated Statements of Cash Flows as follows:

	Three months ended	
	March 31, 2015	**March 31, 2014**
Operating activities	641	91
Investing activities	(2,128)	258
Balance	**(1,487)**	**349**

16 Commitments and contingencies

Litigation, claims and assessments

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavourable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

Kazakhstan

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the

Company's tax, currency legislation and customs positions will be sustained. The known commitments and contingencies of the Kazakhstan businesses are as follows:

Akkulka Production Contract

On December 23, 2009, the Company and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR") signed the Akkulka Production Contract giving the Company exclusive rights to produce gas from the Akkulka Block for a period of nine years. Contingent upon commencement of commercial production on the Akkulka contractual territory, an amount of USD 3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD 933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To March 31, 2015, the Company had reimbursed the Kazakh State USD 546,480 in respect of the Akkulka Field.

Work programmes for the period October 1, 2012 to October 1, 2015 have been agreed totalling USD 4,421,300 which includes a commitment for the period October 1, 2014 to October 1, 2015 of USD 1,172,500. As at March 31, 2015 all commitments for the periods up to October 1, 2015 have already been met. It is planned to absorb the AKK16, 18, 19 and 20 wells into the Production Contract and expand the Contract boundaries and once completed (expected in Q2 2015) revised work programmes and commitments will be determined.

Akkulka Exploration Contract

On February 23, 2015 the Company received an extension to the Akkulka Exploration Contract for a period of four years up to March 10, 2019. Work programmes for the period March 10, 2015 to March 10, 2019 have been agreed totalling USD 33,792,000 which includes a commitment for the period March 10, 2015 to March 10, 2016 of USD 5,456,000.

Kul-Bas Exploration and Production Contract

The Kazakhstan Government is to be compensated for the historical costs related to the contractual territory in the amount of USD 3,275,780. To date, the Company has paid two amounts of USD 49,137 each in relation to this balance. If and when commercial production commences, USD 80,666 is due in quarterly instalments until the remaining historical costs of USD 3,177,506 have been paid in full.

Work programmes for the calendar years 2014 to 2015 have been agreed totalling USD 13,011,170 which includes a commitment for 2015 of USD 9,441,100. The commitments were rescheduled in Q4 2014 for the work programme up to November 11, 2015 for a total of USD 8,855,000 comprising up to two wells.

Kyzyloi Production Contract

On June 5, 2014 the Company received approval from the Ministry of Oil & Gas of the Republic of Kazakhstan for an extension to its Kyzyloi Production Contract for a further 15 years to December 31, 2029. Work programmes for the 15 year period have been agreed totalling USD 114,567,000 which includes a commitment for 2015 of USD 7,487,200.

(tabular amounts in thousands of US dollars)

Tajikistan

Bokhtar Production Sharing Contract

The Company has an effective 28.33% interest (33.33% interest via its 85% owned subsidiary) in Bokhtar Operating Company BV with partners Total and CNPC each having a 33.33% interest.

Under the terms of the farm-out agreement entered into on June 18, 2013 with Total and CNPC the Company is only required to contribute 11.11% or USD 9 million of the first USD 80 million of the initial work programme. As at March 31, 2015, the joint venture partners had contributed USD 36.8 million to the Bokhtar Operating Company of which the Company's share was USD 4.1 million. At March 31, 2015, Bokhtar had contractual commitments not yet incurred or accrued of USD 68.9 million relating to seismic acquisition. Tethys share is approximately USD 13 million.

Georgia

The Company has a 49% interest in three blocks in Eastern Georgia and is responsible for funding its percentage interest share in the work programmes.

Work programmes on Block XIN have been renegotiated with the Georgian Government (although yet to be ratified) where the Company plans to conduct a ground gravity survey through new operator NOC by July 1, 2015 at an estimated gross cost of USD 0.5 million instead of the 100km of seismic studies previously specified.

Operating leases

Leases as a lessee:

Operating leases consist primarily of leases for offices. Lease commitments are as follows:

March 31, 2015	**Total**	**Less than 1 year**	**1 – 3 years**	**Greater than 3 years**
Operating leases	2,181	943	939	299

December 31, 2014	**Total**	**Less than 1 year**	**1 – 3 years**	**Greater than 3 years**
Operating leases	2,464	1,086	1,012	366

17 Subsequent events

SinoHan Transaction

On November 1, 2013 the Company entered into a legally binding exclusive agreement for the sale of 50% of its Kazakhstan oil and gas assets to SinoHan Oil & Gas Investment Number 6 B.V. ("SinoHan"), part of HanHong, a Beijing, PRC, based private equity fund, for US$75 million. The longstop date for fulfilment or waiver of the conditions precedent was extended for an additional six months starting November 1, 2014 by mutual consent of both parties.

The main approval required from the Ministry of Energy ("MoE") was not received by the longstop date of May 1, 2015. The Company has explored with SinoHan the possibility of a further short extension of the longstop date to provide additional time to obtain approval from the MoE, however SinoHan has confirmed that it does not wish to enter into a further extension on the transaction. As a result, the sale of 50% of the Tethys' Kazakhstan assets to SinoHan will not proceed and the Company will therefore retain its 100% interest.

Unsecured convertible loan facility

On March 15, 2015 the Company announced that it had signed and closed a binding agreement for a US$7.5 million convertible loan facility with AGR Energy Limited No. 1 ("AGR Energy"). The loan is unsecured and bears interest at a rate of 9 percent per annum. Interest is payable twice a year on June 30 and December 31 whereas the principal is repayable on June 30, 2017 (the maturity date). The principal and accrued interest, subject to certain conditions, may be converted into ordinary shares in the Company at the option of the lender, in whole or in part, at any time up to the maturity date at a conversion price of USD0.10 per share.

Separately, and as an option being considered as part of the Company's ongoing strategic review, the Company has entered into a limited period of exclusivity with AGR Energy to negotiate a potential larger financing. The exclusivity period runs through to June 12th, 2015 and is subject to certain customary exceptions.