Tethys Petroleum Limited

Interim Financial Information
(Unaudited)
June 30, 2015

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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 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R ;
- the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last annual report that could do so.

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 June 30, 2015.

For and on behalf of the Board

J. Bell	**A. Ogunsemi**
Executive Chairman	Director
August 14, 2015	August 14, 2015

Tethys Petroleum Limited

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

		As at	
	Note	June 30, 2015	December 31, 2014
Non-current assets			
Intangible assets	7	80,793	47,630
Property, plant and equipment	8	119,724	13,804
Restricted cash	9	2,116	623
Investments in joint arrangements		19	4
Trade and other receivables		5,033	-
Deferred tax	5	-	258
		207,685	**62,319**
Current assets			
Cash and cash equivalents		4,942	3,112
Trade and other receivables		9,189	634
Loans to joint arrangements		2,456	-
Inventories		1,055	-
Restricted cash	9	697	116
Assets of a disposal group classified as held for sale	10	-	172,514
		18,339	**176,376**
Total assets		**226,024**	**238,695**
Equity			
Share capital	13	33,671	33,645
Share premium		321,764	321,724
Other reserves		43,043	42,845
Accumulated deficit		(225,946)	(198,560)
Non-controlling interest		6,093	6,096
Total equity		**178,625**	**205,750**
Non-current liabilities			
Trade and other payables		176	-
Financial liabilities - borrowings	11	20,735	5,489
Provisions		984	-
Deferred tax	5	1,302	-
		23,197	**5,489**
Current liabilities			
Financial liabilities - borrowings	11	5,984	5,139
Derivative financial instruments	12	3,668	-
Current taxation		311	364
Trade and other payables		12,539	4,102
Provisions		1,700	1,759
Liabilities of a disposal group classified as held for sale	10	-	16,092
		24,202	**27,456**
Total liabilities		**47,399**	**32,945**
Total equity and liabilities		**226,024**	**238,695**
Going concern	2		
Commitments and contingencies	16		

The notes on pages 6 to 27 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on August 14, 2015 and were signed on its behalf.

J. Bell, Executive Chairman

A. Ogunsemi, Director

Tethys Petroleum Limited

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

		Three months ended		Six months ended	
	Note	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Sales and other revenues	3	6,838	7,123	12,792	13,904
Sales expenses		(1,279)	(498)	(2,381)	(1,242)
Production expenses	2	(4,159)	(3,214)	(6,767)	(7,012)
Depreciation, depletion and amortisation		(20,614)	(148)	(21,288)	(299)
Business development expenses		-	(580)	-	(1,320)
Administrative expenses		(3,103)	(5,082)	(5,924)	(10,207)
Restructuring costs		(1,613)	-	(1,932)	-
Transaction costs of assets held for sale		(945)	(116)	(1,065)	(131)
Share based payments	4	(118)	(77)	(265)	(196)
Profit on sale of fixed assets		29	-	43	-
Foreign exchange loss		(208)	(77)	(215)	(70)
Fair value (loss)/gain on derivative financial instrument	12	(1,547)	36	(469)	17
Profit/(loss) from jointly controlled entity		15	(65)	(235)	(1,268)
Finance costs		(1,949)	(382)	(2,527)	(985)
Loss before taxation from continuing operations		**(28,653)**	**(3,080)**	**(30,233)**	**(8,809)**
Taxation	5	3,375	(588)	2,921	732
Loss for the period from continuing operations		**(25,278)**	**(3,668)**	**(27,312)**	**(8,077)**
Loss for the period from discontinued operations net of tax		**(36)**	**(153)**	**(77)**	**(645)**
Loss and total comprehensive income for the period		**(25,314)**	**(3,821)**	**(27,389)**	**(8,722)**
Loss and total comprehensive income attributable to:					
Shareholders		(25,313)	(3,675)	(27,386)	(8,524)
Non-controlling interest		(1)	(146)	(3)	(198)
Loss and total comprehensive income for the period		**(25,314)**	**(3,821)**	**(27,389)**	**(8,722)**
Loss per share attributable to shareholders:					
Basic and diluted – from continuing operations (USD)	6	(0.08)	(0.01)	(0.08)	(0.03)
Basic and diluted - from discontinued operations (USD)	6	-	-	-	-

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

The notes on pages 6 to 27 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		-	-	(8,524)	-	-	(198)	(8,722)
Transactions with shareholders								
Shares issued		4,889	15,808	-	-	-	-	20,697
Share issue costs		-	(1,246)	-	-	-	-	(1,246)
Share-based payments		-	-	-	196	-	-	196
Total transactions with shareholders		**4,889**	**14,562**	**-**	**196**	**-**	**-**	**19,647**
Balance at June 30, 2014		**33,645**	**321,857**	**(191,057)**	**26,216**	**16,601**	**6,256**	**213,518**
Balance at January 1, 2015	**13**	**33,645**	**321,724**	**(198,560)**	**26,244**	**16,601**	**6,096**	**205,750**
Comprehensive loss for the period		-	-	(27,386)	-	-	(3)	(27,389)
Transactions with shareholders								
Shares issued		26	40	-	-	-	-	66
Share-based payments	4	-	-	-	198	-	-	198
Total transactions with shareholders		**26**	**40**	**-**	**198**	**-**	**-**	**264**
Balance at June 30, 2015	**13**	**33,671**	**321,764**	**(225,946)**	**26,442**	**16,601**	**6,093**	**178,625**

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 27 form part of these condensed consolidated financial statements.

Tethys Petroleum Limited

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

		Three months ended		Six months ended	
	Note	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Cash flow from operating activities					
Loss before taxation from continuing operations		(28,653)	(3,080)	(30,233)	(8,809)
Loss before tax from discontinued operations[1]		(36)	(155)	(77)	(647)
Adjustments for					
Share based payments		118	77	265	196
Net finance cost		1,949	386	2,527	985
Depreciation, depletion and amortization		20,614	148	21,288	299
Profit on sale of fixed assets		(29)	-	(43)	-
Fair value gain on derivative financial instruments		1,547	(36)	469	(17)
Net unrealised foreign exchange loss		147	72	26	83
(Profit)/loss from jointly controlled entity		(15)	65	235	1,268
Movement in provisions		(1,197)	(178)	(1,990)	(320)
Net change in working capital	15	1,474	(639)	2,115	(548)
Cash used in operating activities		**(4,081)**	**(3,340)**	**(5,418)**	**(7,510)**
Corporation tax paid		(4)	(10)	(134)	(148)
Net cash used in operating activities		**(4,085)**	**(3,350)**	**(5,552)**	**(7,658)**
Cash flow from investing activities					
Interest received		46	48	91	98
Expenditure on exploration and evaluation assets		(2,737)	(1,349)	(3,942)	(4,566)
Expenditures on property, plant and equipment		(1,297)	(3,486)	(2,039)	(7,535)
Proceeds from sale of fixed assets		113	-	113	-
Transfer to restricted cash		(147)	(460)	(151)	(460)
Movement in advances to construction contractors		99	(2,681)	190	(1,728)
Movement in value added tax receivable		368	177	719	(93)
Net change in working capital	15	605	554	(1,522)	812
Net cash used in investing activities		**(2,950)**	**(7,197)**	**(6,541)**	**(13,472)**
Cash flow from financing activities					
Proceeds from issuance of borrowings, net of issue costs		9,100	1,013	18,235	7,720
Repayment of borrowings		(4,198)	(1,062)	(4,665)	(7,091)
Interest paid on borrowings		(554)	(440)	(908)	(923)
Proceeds from issuance of equity		-	14,947	-	14,947
Share issue costs		-	(1,198)	-	(1,246)
Payment of other liabilities		(27)	(27)	(56)	(99)
Net cash generated from financing activities		**4,321**	**13,233**	**12,606**	**13,308**
Effects of exchange rate changes on cash and cash equivalents		669	(333)	561	(231)
Net (decrease)/increase in cash and cash equivalents		**(2,045)**	**2,353**	**1,074**	**(8,053)**
Cash and cash equivalents at beginning of the period		6,987	15,325	3,868	25,731
Cash and cash equivalents at end of the period		**4,942**	**17,678**	**4,942**	**17,678**
Cash and cash equivalents at end of the period comprises:					
Cash in assets of a disposal group held for sale	10	-	6,036	-	6,036
Cash and cash equivalents		4,942	11,642	4,942	11,642
		4,942	**17,678**	**4,942**	**17,678**

1 The company has elected to present a statement of cash flows that analyses cash flows for both continuing and discontinued operations.

The notes on pages 6 to 27 form part of these condensed consolidated financial statements.

1 General information

Tethys is an oil and gas company operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys' principal activity is the acquisition of and exploration and development of crude oil and natural gas fields. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands. The domicile of Tethys Petroleum Limited is the Cayman Islands, where it is incorporated.

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 on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB and IFRIC interpretations issued by the IFRS Interpretations Committee and effective or issued and early adopted as at the time of preparing those consolidated financial statements.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" 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 announced on May 1, 2015 that the sale of a 50% plus one share interest in the subsidiary company which owns its Kazakhstan businesses would not be taking place. The assets and liabilities of the Company's Kazakhstan businesses were therefore reclassified in the Consolidated Statement of Financial Position on that date from "assets of a disposal group held for sale" shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities to their previous categories.

The Company has measured the non-current assets that ceased to be classified as part of the disposal group classified as held for sale at the lower of its carrying amount before the disposal group was classified as held for sale, adjusted for the depletion, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale, and its recoverable amount at May 1, 2015. During the three month period ended June 30, 2015 depreciation, depletion and amortisation of USD19,357,000 was recorded.

Production expenses

In the three months ended June 30, 2015 the company recorded an accrual of additional production taxes along with interest charges incurred. Production expenses of USD1,517,000, finance costs of USD892,000 and a tax benefit of USD of 303,000 were recognized relating to prior years.

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 June 30, 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 USD27.4 million for the six months ending June 30, 2015 (2014: USD8.7 million) and an accumulated deficit as at that date of USD225.9 million (2014: USD198.6 million) and negative working capital of USD5.9 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).

In view of the delay in obtaining local regulatory consents for the transaction, 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 of the Republic of Kazakhstan, 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 Ministry of Energy 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 to the Company 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 was in the form of a minimal interest bearing loan intended to be deducted from the consideration due from SinoHan on completion.

In consideration for SinoHan agreeing to extend the Longstop Date, the Company agreed that it would reimburse Sinohan for certain 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 were not met or are waived by the Longstop Date and the Sinohan had complied with its obligations.

As the deal did not complete by the Longstop Date of May 1, 2015, the above described USD3.88m advance became repayable and was paid by June 30, 2015. Transaction costs were agreed at USD650,000 with repayment scheduled by August 1, 2015. These costs have been accrued in the June 2015 Condensed Consolidated Interim Financial Statements.

Tethys' future operations and earnings will depend upon the results of its 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 six months to date it has sourced three separate loans under which it raised total net proceeds of USD18.2 million, (refer to note 17 of the Condensed Consolidated Interim Financial Statements).

Subsequent to the period end, the Company announced on July 1, 2015 a strategic collaboration with AGR Energy Holdings whereby it had signed an agreement for a USD47.7 million private placement of 318,003,951 new ordinary shares (the "AGR Placing") at a price of CAD0.192 per ordinary share with AGR Energy Holdings. In connection with this placing, the Company also entered into a convertible loan for up to USD5 million with AGR Energy Holding's parent company, AGR Energy, whereby the Company could draw down an advance on the placing proceeds before closing to support short term liquidity. Pursuant to this agreement, it had also agreed with PAM, the Company's largest shareholder, that PAM would subscribe (the "PAM Subscription") for 100,000,000 new ordinary shares on substantially the same terms as the AGR Placing. However, following further correspondence and discussions with AGR Energy during which AGR Energy indicated changes to the proposed structure and terms, the Company announced on August 10, 2015 that it would no longer be proceeding with the AGR Placing or the PAM Subscription.

On the same date, the Company announced that it had received a further non-binding indicative proposal from Nostrum regarding a possible offer for the entire issued and to be issued share capital of the Company (the "Possible Offer"). The Possible Offer provides for a price of CAD0.2185 per Tethys share, which would be satisfied in cash or, at the election of each eligible shareholder of Tethys, fully paid ordinary shares in Nostrum, or a combination of both cash and shares. This price represents a premium of 15% to the price at which AGR Energy Holdings had agreed to subscribe for new ordinary shares in Tethys pursuant to the Financing and a premium of 56% to the closing market price of an ordinary share of Tethys on the TSX of CAD0.14 on Friday August 7, 2015.

Following receipt of the Possible Offer, the Company entered into discussions with Nostrum. Any decision by the Board of Nostrum to make a formal offer would be conditional upon, amongst other things, satisfactory completion by Nostrum of confirmatory due diligence, which shall be limited to a period ending at 9.00 a.m. London time on August 24, 2015 (or such later date as may be agreed) and the Board of Tethys, having been so advised by its financial adviser, agreeing unanimously to recommend the formal offer to shareholders of Tethys. Nostrum shall have two business days following completion of its confirmatory due diligence within which to announce its intention to make a formal offer.

In connection with the Possible Offer, Nostrum and Tethys entered into an unsecured USD5 million loan facility that will support the short term liquidity of Tethys during the period in which any formal offer may be implemented. The loan was made available to the Company immediately and was drawn down in full on August 10, 2015. The loan shall be repayable on February 28, 2016 or, in the event that Nostrum does not announce an intention to make a formal offer within two business days of the conclusion of its confirmatory due diligence, the loan shall be repayable on August 31, 2016. Interest shall accrue on the loan at a rate of 9% per annum, repayable on the maturity date of the loan. Pursuant to the terms of the loan, the Company is subject to certain negative covenants and events of default and change of control provisions apply. In consideration for Nostrum agreeing to advance the loan, the Company agreed to grant Nostrum a limited period of exclusivity to undertake its confirmatory due diligence in connection with the Possible Offer and any potential resulting formal offer. This period of exclusivity concludes at the end of the two business day period after completion of Nostrum's confirmatory due diligence, which will be at 11:59 p.m. London time on August 25, 2015 (unless such date is mutually agreed to be extended).

The Company will need to secure significant additional strategic funding in order to meet its contractual obligations which include the Tajik Bokhtar licence and Kazakh Exploration and Production licences in full (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 forfeiture of licences.

The Company has been and, subject to the period of exclusivity granted to Nostrum, actively continues to explore strategic initiatives which include the potential sale of the Company, further equity financing and/or farm downs of its Kazakh, Tajik or Georgian assets.

There can be no assurances that management will be successful with these initiatives or any of them.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the above-described 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 and amended standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the condensed consolidated financial statements.
- IAS 19, Employee benefits ("IAS 19"), has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. This amendment did not have a material impact on the condensed consolidated financial statements.

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.

(tabular amounts in thousands of US dollars)

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 in Kazakhstan and Tajikistan according to operational requirements.

The segment results for the six months ended June 30, 2015 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	9,533	-	-	-	9,533	-
Oil sales	3,253	-	-	-	3,253	-
Other income	6	-	-	-	6	-
Other operating income	-	-	-	533	533	-
Segment revenue and other income	**12,792**	**-**	**-**	**533**	**13,325**	**-**
Inter-segment revenue	-	-	-	(533)	(533)	-
Segment revenue and other income from external customers	**12,792**	**-**	**-**	**-**	**12,792**	**-**
Loss from jointly controlled entity	(235)	-	-	-	(235)	-
Loss before taxation	**(19,172)**	**(15)**	**(2)**	**(11,044)**	**(30,233)**	**(77)**
Taxation	3,013	-	-	(92)	2,921	-
Net loss for the period	**(16,159)**	**(15)**	**(2)**	**(11,136)**	**(27,312)**	**(77)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD17,568 and USD156,697 incurred in the Corporate segment were capitalised in the Kazak and Tajik segments respectively during the period.

The segment results for the six months ended June 30, 2014 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	4,429	-	-	-	4,429	-
Oil sales	9,215	-	-	-	9,215	-
Other income	8	252	-	-	260	-
Other operating income	-	-	-	1,394	1,394	-
Segment revenue and other income	**13,652**	**252**	**-**	**1,394**	**15,298**	**-**
Inter-segment revenue	-	-	-	(1,394)	(1,394)	-
Segment revenue and other income from external customers	**13,652**	**252**	**-**	**-**	**13,904**	**-**
Loss from jointly controlled entity	(1,268)	-	-	-	(1,268)	-
Profit / (loss) before taxation	**1,537**	**(754)**	**-**	**(9,592)**	**(8,809)**	**(647)**
Taxation	881	-	-	(149)	732	2
Net profit / (loss) for the period	**2,418**	**(754)**	**-**	**(9,741)**	**(8,077)**	**(645)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD183,267 and USD39,286 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 June 30, 2015 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	4,827	-	-	-	4,827	-
Oil sales	2,008	-	-	-	2,008	-
Other income	3	-	-	-	3	-
Other operating income	-	-	-	191	191	-
Segment revenue and other income	**6,838**	**-**	**-**	**191**	**7,029**	**-**
Inter-segment revenue	-	-	-	(191)	(191)	-
Segment revenue and other income from external customers	**6,838**	**-**	**-**	**-**	**6,838**	**-**
Profit from jointly controlled entity	15	-	-	-	15	-
Loss before taxation	**(19,995)**	**40**	**(2)**	**(8,696)**	**(28,653)**	**(36)**
Taxation	3,420	-	-	(45)	3,375	-
Loss for the period	**(16,575)**	**40**	**(2)**	**(8,741)**	**(25,278)**	**(36)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD8,929and USD135,944 incurred in the Corporate segment were capitalised in the Kazak and Tajik segments respectively during the period.

The segment results for the three months ended June 30, 2014 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	2,036	-	-	-	2,036	-
Oil sales	4,992	-	-	-	4,992	-
Other income	3	92	-	-	95	-
Other operating income	-	-	-	187	187	-
Segment revenue and other income	**7,031**	**92**	**-**	**187**	**7,310**	**-**
Inter-segment revenue	-	-	-	(187)	(187)	-
Segment revenue and other income from external customers	**7,031**	**92**	**-**	**-**	**7,123**	**-**
Loss from jointly controlled entity	(65)	-	-	-	(65)	-
Profit / (loss) before taxation	**1,926**	**(674)**	**4**	**(4,336)**	**(3,080)**	**(155)**
Taxation	(445)	-	-	(143)	(588)	2
Net profit / (loss) for the period	**1,481**	**(674)**	**4**	**(4,479)**	**(3,668)**	**(153)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD21,683 and USD17,524 incurred in the Corporate segment were capitalised in the Tajik and Kazakh segments respectively during the year.

(tabular amounts in thousands of US dollars)

The segment assets and liabilities as at June 30, 2015 and capital expenditures for the six months then ended are as follows:

	Kazakhstan	Tajikistan	Georgia	Uzbekistan	Other and Corporate	Group
Total assets	151,268	38,671	12,619	-	23,466	226,024
Total liabilities	14,575	2,240	14	146	30,424	47,399
Cash expenditure on exploration & evaluation assets, property, plant and equipment	2,204	3,208	569	-	-	5,981

The segment assets and liabilities at December 31, 2014 and capital expenditures for the six months ended June 30, 2014 were as follows:

	Kazakhstan	Tajikistan	Georgia	Uzbekistan	Other and Corporate	Group
Total assets	172,514[1]	35,654	12,175	8	18,344	238,695
Total liabilities	16,092	2,400	178	408	13,867	32,945
Cash expenditure on exploration & evaluation assets, property, plant and equipment	8,952	1,546	1,322	-	281	12,101

Note 1 Assets of a disposal group held for sale, refer to note 10 for further details.

4 Share-based payments

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 259,718 shares were issued to John Bell under this arrangement.

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.

In respect of both share options and share awards a charge for the value of services of USD263,821 (2014 – USD195,721) was recorded for the period. No amounts were capitalised in the current or prior periods.

The following tables summarize the stock option activity for the period ended June 30, 2015 and June 30, 2014.

(tabular amounts in thousands of US dollars)

	Number of options	Weighted average exercise price USD
Outstanding at January 1, 2014	33,707,400	1.35
Granted	120,000	0.72
Forfeited	(10,000)	0.88
Expired	(3,725,000)	2.74
Outstanding at June 30, 2014	**30,092,400**	**1.17**
Exercisable at June 30, 2014	**29,642,400**	**1.18**
Outstanding at January 1, 2015	15,362,400	1.58
Granted	10,022,500	0.23
Forfeited	(290,000)	0.42
Expired	(8,838,400)	1.85
Outstanding at June 30, 2015	**16,256,500**	**0.62**
Exercisable at June 30, 2015	**7,344,000**	**1.09**

Warrants classified as derivative financial instruments

The Company has issued warrants which are classified as derivative financial instruments. Details of these are given in note 12.

Warrants issued in connection with loans

Warrants were also granted in connection with commissions payable to brokers with respect to the Rig loans rolled over in 2012 and 2013.There are no performance conditions attached to these warrants and all the granted warrants were immediately vested. These warrants are equity settled share based payment transactions. The following tables summarize the warrant activity for the period ended June 30, 2015 and June 30, 2014.

	Number of warrants	Weighted average exercise price USD
Outstanding at January 1, 2014	2,267,038	2.38
Expired	(177,038)	0.94
Outstanding at June 30, 2014	**2,090,000**	**2.50**
Exercisable at June 30, 2014	**2,090,000**	**2.50**
Outstanding at January 1, 2015	2,090,000	2.50
Granted	-	-
Expired	-	-
Outstanding at June 30, 2015	**2,090,000**	**-**
Exercisable at June 30, 2015	**2,090,000**	**-**

(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:

	Six months ended June 30, 2015	June 30, 2014
Loss before income taxes from continuing operations	(30,233)	(8,809)
Income tax rate	20%	20%
Expected income tax recovery	**6,047**	**1,762**
Increase/(decrease) resulting from:		
Non-deductible expenses net of functional currency foreign exchange impact [1]	87	4,292
Revisions in tax estimates and foreign exchange impact on tax pools [1]	(807)	(2,419)
Impact of effective tax rates in other foreign jurisdictions	(1,714)	(1,352)
Losses and tax assets not utilised/recognised	(692)	(1,551)
	2,921	**732**
Current tax expense	(99)	(144)
Deferred tax benefit	3,020	876
	2,921	**732**

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:

	June 30, 2015	December 31, 2014
Capital assets	8,284	-
Tax losses	(6,571)	(258)
Other	(411)	-
Net deferred tax liability/(asset)	**1,302**	**(258)**
Liabilities of disposal group (note 10)		
Capital assets	-	7,249
Tax losses	-	(3,034)
Other	-	348
	-	**4,563**

(tabular amounts in thousands of US dollars)

6 Loss per share

Loss from continuing operations attributable to ordinary shareholders – Basic and diluted	**Loss for the period**	**Weighted average number of shares (thousands)**	**Per share amount USD**
Six months ended June 30, 2014	(7,879)	304,393	(0.03)
Three months ended June 30, 2014	(3,522)	309,439	(0.01)
Six months ended June 30, 2015	(27,309)	336,585	(0.08)
Three months ended June 30, 2015	(25,277)	336,650	(0.08)

Loss from discontinued operations was nil cents per share in each period.

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			
	Kazakhstan	**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**
Six months ended June 30, 2015				
Opening net book amount	-	11,996	35,634	47,630
Additions	61	570	3,363	3,994
Transfer from assets held for sale	29,169	-	-	29,169
Closing net book amount	**29,230**	**12,566**	**38,997**	**80,793**
At June 30, 2015				
Cost	29,230	12,566	38,997	80,793
Accumulated amortisation and impairment	-	-	-	-
Net book amount	**29,230**	**12,566**	**38,997**	**80,793**

(tabular amounts in thousands of US dollars)

8 Property, plant and equipment

	Oil and gas properties	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**
Six months ended June 30, 2015					
Opening net book amount	-	13,302	140	362	13,804
Additions	1,063	-	22	6	1,091
Transfer from assets held for sale					
Cost	166,069	3,159	2,337	1,448	173,013
Accumulated depreciation	(43,367)	(696)	(1,751)	(1,013)	(46,827)
Disposals	-	-	(137)	(337)	(474)
Accumulated depreciation on disposals	-	-	86	319	405
Depreciation	(19,104)	(1,511)	(525)	(148)	(21,288)
Closing net book amount	**104,661**	**14,254**	**172**	**637**	**119,724**
At June 30, 2015					
Cost	167,132	25,343	2,864	2,168	197,507
Accumulated depreciation and impairment	(62,471)	(11,089)	(2,692)	(1,531)	(77,783)
Net book amount	**104,661**	**14,254**	**172**	**637**	**119,724**

Reclassification of disposal group held for sale and determination of recoverable amount

As explained in note 2 the Company has ceased to classify a disposal group as held for sale during the period which necessitated the determination of the non-current assets' recoverable amounts on the date of reclassification. The key assumptions used to determine the fair value less costs of disposal of oil and gas property assets (cash generating units) are a discount rate of 12 percent, after tax and oil and gas pricing forecasts as follows:

	Oil and gas pricing forecasts as at May 1, 2015			
	Domestic gas Mcm	**Export gas Mcm**	**Domestic oil Bbl**	**Export oil Bbl**
2015	75	152	14.50	61
2016	75	160	14.50	72
2017	79	172	14.91	78
2018	85	176	15.44	83
2019	87	177	15.61	87
2020	87	254	15.67	91
2021	126	254	19.23	96
2022 and thereafter	136	254	20.20	98

(tabular amounts in thousands of US dollars)

Other assumptions are mainly as set out in the Independent Reserves Report prepared for the Company as at December 31, 2014.

9 Restricted Cash

Non Current

	June 30, 2015	December 31, 2014
Restricted cash	2,116	623

The above amount in the current period consists of interest bearing deposits held in Kazakhstan that have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations and in the prior period a deposit of GBP 400,000 placed as security with respect to amounts owed to Vazon Limited, a company controlled by the Company's former Executive Chairman (shown as current in the current period, see below).

Current

	June 30, 2015	December 31, 2014
Restricted cash	697	116

The above amounts consist of monies placed on temporary deposit as a security against corporate credit cards, a deposit with the Ministry of Finance in Dubai and the Vazon Limited deposit, see above.

10 Disposal group held for sale

The Company announced on May 1, 2015 that the sale of a 50% plus one share interest in the subsidiary company which owns its Kazakhstan businesses would not be taking place. The assets and liabilities of the Company's Kazakhstan businesses were therefore reclassified in the Consolidated Statement of Financial Position on that date from "assets of a disposal group held for sale" shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities to their previous categories.

This reclassification has resulted in depreciation of assets previously classified as held for sale for the period November 2, 2013 to May 1, 2015 being recognised in the current period. Total depreciation relating to assets formerly disclosed as part of a disposal group held for sale during the period amounted to USD19,357,000.

(tabular amounts in thousands of US dollars)

11 Financial liabilities

	Effective interest rate per annum	Maturity date	June 30, 2015	December 31, 2014
Current				
Escrow loan	Libor + 1%	2015	-	3,901
Rig loans	14.8%	2017	1,328	1,238
Kazakh loan	14.0%-15.9%	2016	4,656	-
			5,984	**5,139**
Non-current				
Rig loans	14.8%	2017	4,830	5,489
Corporate loans	31.4%[1]	2017	6,942	-
Convertible loans	10.6%	2017	8,963	-
			20,735	**5,489**
Liabilities of disposal group (note 10)			**26,719**	**10,628**
Current				
Kazakh loan	14.0%-15.9%	2016	-	2,651
Non-current				
Kazakh loan	14.0%-15.9%	2016	-	2,220
			-	**4,871**

1 Including cost of warrants, see note 12

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 and 10. The loan bore interest at the rate of 1 month US LIBOR plus 1% per annum and was repayable within 10 days upon request from SinoHan where SinoHan is in compliance with its obligations under the Sale and Purchase agreement. The loan was repaid during the period following the failure of the transaction to complete.

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 June 30, 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 14.8% 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. The Company has valued these warrants at initial recognition at USD2,121,000. In the event that the Company completed 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 would have the option of surrendering the warrants 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 USD2.1 million and would decrease by 25% every 6 months over the term of the loan. The warrants were surrendered after the end of the period (refer to note 17). 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 Company has valued these warrants at initial recognition at USD1,043,000. 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 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 principal oil buyer and customer of the 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 sales. 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.

A total of 1.935 billion KZT (USD12.9 million) of funds have been advanced to the Company under the loan agreement, with monthly repayments of both principal and interest (at a weighted average effective interest rate of between 14.0% and 15.9%). The outstanding balance of the loan at June 30, 2015 was USD4,656,000.

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.

Unsecured convertible loan facility from AGR Energy No. 1

On May 15, 2015, the Company issued USD7,500,000 aggregate principal amount of convertible debentures (the AGR Debentures) to AGR Energy Limited No. 1 ("AGR Energy No. 1"). The AGR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 75,000,000 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD 180,000.

(tabular amounts in thousands of US dollars)

The AGR Debentures mature on June 30, 2017 and pay interest at a rate of 9% per annum. Unless otherwise agreed to by the Company and AGR Energy No. 1, all interest payments other than the first interest payment shall be payable in cash. The first interest payment for the period between May 15, 2015 to December 31, 2015, shall, subject to prior approval from the TSX, be satisfied by the issuance of Ordinary Shares valued at the volume weighted average price of the Ordinary Shares on the TSX for the 20 trading days ending five trading days before December 31, 2015. The number of Ordinary Shares issuable to satisfy the first interest payment will vary depending on the VWAP on December 31, 2015. By way of example, if the VWAP was USD0.05, USD0.10, USD0.15 or USD0.20, the number of Ordinary Shares issuable to satisfy the first interest payment would be, 8,506,849, 4,253,425, 2,835,616 and 2,126,712, respectively.

Unsecured convertible loan facility from ALR

On June 1, 2015, the Company issued USD1,760,978 aggregate principal amount of convertible debentures to Annuity and Life Reassurance Ltd ("ALR") (the "ALR Debentures") a company controlled by Pope Asset Management, the Company's largest shareholder. The ALR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 17,609,780 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD70,000.

The ALR Debentures pay interest at a rate of 9% per annum and mature on June 30, 2017. Unless otherwise agreed to by the Company and ALR, all interest payments other than the first interest payment shall be payable in cash. The first interest payment for the period between June 1, 2015 to December 31, 2015, shall, subject to prior approval from the TSX, be satisfied by the issuance of Ordinary Shares valued at the volume weighted average price of the Ordinary Shares on the Toronto Stock Exchange (the "TSX") for the 20 trading days ending five trading days before December 31, 2015 (the "VWAP"). The number of Ordinary Shares issuable to satisfy the first interest payment will vary depending on the VWAP on December 31, 2015. By way of example, if the VWAP was USD0.05, USD0.10, USD0.15 or USD0.20, the number of Ordinary Shares issuable to satisfy the first interest payment would be approximately, 1,849,751, 924,875, 616,584 and 462,438, respectively.

12 Derivative financial instruments

Warrants

	June 30, 2015	**December 31, 2014**
Balance, beginning of period / year	-	17
Issued during the period / year	2,949	-
Fair value gain	(76)	(17)
Balance, end of period / year	**2,873**	**-**

The warrant liability represents the financial liability relating to share warrants that are denominated in a currency that is not the Company's functional currency. These warrants were issued in connection with the two corporate loans described in note 11.

The liability was initially recognised at fair value. As the warrants are denominated in foreign currency, there is a written option for the holder to exchange the foreign currency denominated warrant for a fixed number of functional currency denominated shares. This option is a derivative financial instrument and was initially recognised at fair value and subsequently measured at fair value through income.

(tabular amounts in thousands of US dollars)

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

	June 30, 2015	December 31, 2014
Weighted average fair value	USD0.08	N/A
Risk free rate	0.49%	N/A
Expected term	1.6 years	N/A
Volatility	130%	N/A
Dividend	Nil	N/A

The following table summarizes the warrant activity for the periods ended June 30, 2015 and June 30, 2014.

	Number of warrants	Weighted average exercise price USD
Outstanding at January 1, 2014	4,125,000	0.81
Expired	(1,819,051)	0.78
Outstanding at June 30, 2014	**2,305,949**	**0.83**
Exercisable at June 30, 2014	**2,305,949**	**0.83**
Outstanding at January 1, 2015	-	-
Issued	58,933,333	0.15
Outstanding at June 30, 2015	**58,933,333**	**0.15**
Exercisable at June 30, 2015	**58,933,333**	**0.15**

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.

Convertible loans

In May and June 2015 the Company issued two convertible loans, the terms of which are described in note 11. The AGR Debentures contain a cash settlement feature which does not meet the conditions for compound instrument treatment in accordance with IAS 32.25 and/or IAS 32.26. As a result, the instrument is a hybrid instrument containing an embedded derivative conversion feature. The ALR Debentures contains a separate cash settlement feature, which requires the Company to indemnify the holder for the offer amount. This is treated as a contingent settlement provision under IAS 32.25. Accordingly, the instrument is a hybrid instrument containing an embedded derivative feature. The embedded derivative has been valued at inception and revalued at the period end and details are provided below.

	June 30, 2015	December 31, 2014
Balance, beginning of period / year	-	-
Issued during the period / year	250	-
Fair value loss	545	-
Balance, end of period / year	**795**	**-**

(tabular amounts in thousands of US dollars)

The fair value of the liability was estimated using a valuation model using the following assumptions:

	June 30, 2015	December 31, 2014
Credit spread	9.94%	N/A
Volatility	70%	N/A

13 Share capital

	June 30, 2015 Number	December 31, 2014 Number
Authorized		
Ordinary shares with a par value of USD0.10 each	700,000,000	700,000,000
Preference shares with a par value of USD0.10 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	259,718	26	40
At June 30, 2015	**336,712,385**	**33,671**	**321,764**

(tabular amounts in thousands of US dollars)

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. Apart from the transactions described below there were no other related party transactions requiring disclosure.

Related party transactions with key management personnel

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.

	Six months ended		Balance as at	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**December 31, 2014**
Amounts advanced by Company:				
Officer	-	-	-	26
Officer	-	-	26	65
Officer	-	68	-	23

15 Changes in working capital

	Three months ended		Six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Trade and other receivables	(1,790)	(210)	(3,014)	(1,849)
Inventories	315	(104)	303	172
Trade and other payables	3,318	(449)	2,932	(1,111)
Change in working capital	**1,843**	**(763)**	**221**	**(2,788)**
Non-cash transactions	236	678	372	3,052
Net changes in working capital	**2,079**	**(85)**	**593**	**264**

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

	Three months ended		Six months ended	
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Operating activities	1,474	(639)	2,115	(548)
Investing activities	605	554	(1,522)	812
Balance	**2,079**	**(85)**	**593**	**264**

(tabular amounts in thousands of US dollars)

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 potential environmental claims and 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 regulatory environment including 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 Kazakhstan law and regulations as interpreted by the Kazakhstan authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstan 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 work programme commitments Kazakhstan businesses can be summarised as follows:

	Kazakhstan Work Programme Commitments			
	Expiry date	**Program 2015**	**Spend to date 2015**	**Program 2016 & later**
Akkulka Production Contract (Gas)	2018			
Financial obligations, total		9,365	2,338	26,123
Investments		3,957	1,297	11,275
Kyzyloi Production Contract (Gas)	2029			
Financial obligations, total		7,488	1,383	101,875
Investments		1,886	573	22,328
Akkulka Exploration Contract (Oil)	2019			
Financial obligations, total		5,838	4,053	28,338
Investments		3,192	1,355	21,937
Kul-Bas Exploration Contract	2015			
Financial obligations, total		9,440	802	-
Investments		8,964	707	-
Total				
Financial obligations, total		**32,131**	**8,576**	**156,336**
Investments		**17,999**	**3,932**	**55,540**

General background

Work programmes for exploration and production contracts agreed with the Kazakh State include a required level of "Investments" as defined in the contracts. "Investments" includes capital expenditure, operating expenses, social sphere, sub-soil monitoring and specialist training costs. It is this required level of Investments that forms the principal financial obligation of the Company in respect of its work programme commitments and against which the Company is mainly measured by the relevant Kazakh State authorities along with production volumes in the Production Contracts. Failure by the Company to meet the required level of Investments could put the Company's licences at risk of forfeiture.

In addition, an assumed level of other costs forms part of the overall work programme (insurance, liquidation fund, indirect costs and taxes). Taken together with the Investments amount described above these form the Company's "Financial obligations, total" as defined in the contracts and as set out in the table above.

Apart from the Company's work programme commitments, other amounts may become payable to the Kazakh State in certain circumstances. These are described below.

Akkulka Production Contract

On December 23, 2009, the Company and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan 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 USD3,500,000 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 totaling approximately USD933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To June 30, 2015, the Company had reimbursed the Kazakh State USD598,368 in respect of the Akkulka Field.

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 USD3,275,780. To date, the Company has paid two amounts of USD49,137 each in relation to this balance. If and when commercial production commences, USD80,666 is due in quarterly instalments until the remaining historical costs of USD3,177,506 have been paid in full.

The Company is seeking to extend the Kul-Bas contract for an additional two year period but a requirement to do so prior to the expiry of the contract is to have moveable hydrocarbons to surface which has not been achieved to date. The Company has a successful history of extending contracts in Kazakhstan and hopes that it will be able to extend this contract too, but this is not guaranteed.

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 USD9 million of the first USD80 million of the initial work programme. As at June 30, 2015, the joint venture partners had contributed USD47.0 million to the Bokhtar Operating Company of which the Company's share was USD5.2 million. At

(tabular amounts in thousands of US dollars)

June 30, 2015, Bokhtar had contractual commitments not yet incurred or accrued of USD53.1 million relating to seismic acquisition. Tethys share is approximately USD10.4 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.

During 2015 the Joint Venture completely redefined the work obligations and cost of exploration. The forward work programme has also been reduced and deferred on all 3 blocks: XIA, XIN and XIM. For 2015 this involves ground based gravity work which is largely complete at a net cost to Tethys in 2015 (inclusive of G&A costs) of USD0.6m, focussed 2D seismic acquisition in 2016 at a cost to Tethys of USD0.9m after which the Joint Venture will make an informed decision in 2017 whether to drill or cease further activity with contingent drilling of any wells in 2018. These changes have been ratified by all levels of government and final Cabinet approval should be received shortly.

Operating leases

Leases as a lessee:

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

June 30, 2015	**Total**	**Less than 1 year**	**1 – 3 years**	**Greater than 3 years**
Operating leases	1,898	812	862	224

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

Strategic collaboration with AGR Energy and financing

On July 1, 2015, the Company announced that it had signed an agreement for a USD47.7 million private placement of up to 318,003,951 new ordinary shares (the "AGR Placing") at a price of CAD0.192 per ordinary share with AGR Energy Holdings Limited ("AGR Energy Holdings"), a subsidiary of AGR Energy. In connection with the AGR Placing, the Company also entered into a further convertible loan for up to USD5 million with AGR Energy, whereby the Company was entitled to draw down an advance on the placing proceeds before closing of the AGR Placing to support short term liquidity.

On August 10, 2015, the Company announced that this Placing would not be proceeding as further discussions and correspondence with AGR Energy indicated an alternative structure and terms.

Surrender of warrants

On July 14, 2015, the Company announced that the lender of the January 2015 USD6 million loan financing exercised its option to surrender the 35,600,000 warrants that had been issued in connection with the financing. The surrender value was for USD2.1 million which was added to the principal amount of the loan and which is repayable on the two year maturity date or earlier in circumstances where there is an event of default or a change of control giving rise to early repayment of the loan.

Shareholder subscription

On July 14, 2015, the Company announced that further to its announcement of July 1, 2015, it had agreed with Pope Asset Management LLC ("Pope"), the Company's largest shareholder, that Pope would subscribe for 100,000,000 new ordinary shares on substantially the same terms as the AGR Placing and that the number of shares for which AGR Energy would subscribe under the AGR Placing would be reduced correspondingly to 218,003,951. As noted above, on August 10, 2015, the Company announced that this subscription would no longer proceed.

USD5 million loan financing and possible offer from Nostrum Oil & Gas PLC ("Nostrum")

On July 13, 2015 the Company acknowledged the announcement made that day by Nostrum in respect of its approach to the Board of Tethys regarding a possible offer for the entire issued and to be issued share capital of the Company, which provided for a potential price of C$0.2185 per Tethys share, subject to various conditions including completion of due diligence, a site visit and approval of the Board of Nostrum. The Company announced the following day that the Board of Tethys, having considered the approach by Nostrum in light of the previously announced AGR Placing and the non-solicitation provisions relating to the AGR Placing, the Board of Tethys had resolved not to pursue or engage in discussions with Nostrum.

On August 10, 2015, the Company announced that it had received a further non-binding indicative proposal from Nostrum regarding a possible offer for the entire issued and to be issued share capital of the Company (the "Possible Offer"). The Possible Offer provides for a price of CAD0.2185 per Tethys share, which would be satisfied in cash or, at the election of each eligible shareholder of Tethys, fully paid ordinary shares in Nostrum, or a combination of both cash and shares. This price represents a premium of 15% to the price at which AGR Energy Holdings had agreed to subscribe for new ordinary shares in Tethys pursuant to the AGR Placing and a premium of 56% to the closing market price of an ordinary share of Tethys on the TSX of CAD0.14 on Friday August 7, 2015.

Following receipt of the Possible Offer, the Company entered into discussions with Nostrum. Any decision by the Board of Nostrum to make a formal offer would be conditional upon, amongst other things (i) satisfactory completion by Nostrum of confirmatory due diligence, which shall be limited to a period ending 9.00am London time on August 24, 2015 (or such later date as may be agreed) and (ii) the Board of Tethys, having been so advised by its financial adviser, agreeing unanimously to recommend the formal offer to shareholders of Tethys. Nostrum shall have two business days following completion of its confirmatory due diligence within which to announce its intention to make a formal offer.

In connection with the Possible Offer, Nostrum and Tethys entered into an unsecured USD5 million loan facility that will support the short term liquidity of Tethys during the period in which any formal offer may be implemented. The loan was available immediately to the Company and was drawn in full on August 10, 2015. The loan shall be repayable on February 28, 2016 or, in the event that Nostrum does not announce an intention to make a formal offer within two business days of the conclusion of its confirmatory due diligence, on August 31, 2016. Interest shall accrue on the loan at a rate of 9% per annum, repayable on the maturity date of the loan. Pursuant to the terms of the loan, the Company is subject to certain negative covenants and events of default and change of control provisions apply. In consideration for Nostrum agreeing to advance the loan, the Company agreed to grant Nostrum a limited period of exclusivity to undertake its confirmatory due diligence in connection with the Possible Offer and any potential resulting formal offer. This period of exclusivity concludes at the end of the two business day period after completion of Nostrum's confirmatory due diligence, which will be at 11:59 p.m. London time on August 25, 2015 (unless such date is mutually agreed to be extended).