Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended June 30, 2020

Contents

The following Management's Discussion and Analysis ("MD&A") is dated August 26, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the period ended June 30, 2020 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2019. 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 2019 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". Additional information relating to the Company can be found on the SEDAR website at *www.sedar.com* and the Company's website at *www.tethys-group.com*.

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

Nature of Business

Tethys Petroleum Limited and its subsidiaries (collectively "Tethys" or "the Company") is an oil and gas company operating within the Republic of Kazakhstan. Tethys' principal activity is the exploration and development of crude oil and natural gas fields. The address of the Company's registered office is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The domicile of Tethys is the Cayman Islands where it is incorporated.

The Company has its primary listing on the TSX Venture Exchange. The Company is also listed on the Kazakhstan Stock Exchange ("KASE").

Financial highlights

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

	Quarter ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Oil and gas sales and other revenues	2,977	3,570	(17%)	6,478	8,227	(21%)
Loss for the period from continuing operations	3,906	(1,533)	(355%)	(3,524)	(793)	344%
Earnings/(loss) (USD) per share from continuing operations - basic	0.04	(0.02)	(300%)	(0.04)	(0.01)	300%
Adjusted EBITDA[1]	1,586	1,801	(12%)	3,334	5,089	(34%)

	As at June 30		
	2020	2019	Change
Total assets	92,459	110,667	(16%)
Cash & cash equivalents	650	4,002	(84%)
Short & long term borrowings	13,159	36,850	(64%)
Total non-current liabilities	16,320	9,994	63%
Net debt[1]	12,509	32,848	(62%)
Number of ordinary shares outstanding	104,955,999	68,324,430	54%

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 17 for details.

Second quarter 2020 versus second quarter 2019

- Oil and gas sales and other revenues decreased by 17% to $3.0 million from $3.6 million due to lower gas revenues and no oil sales in the current period. Gas revenues decreased from $3.5 to $3.0 million due to 10% lower production and a lower average price. Oil revenues reduced from $0.1 million to nil. $0.3m of oil sales were made during the quarter from KBD-02 test production which were offset against capitalised exploration and evaluation expenditure in accordance with the Company's accounting policy and industry practice;
- The profit for the quarter was $3.9 million compared with a loss of $1.5 million in the comparative quarter in 2019. The current period includes a gain on early settlement of debt of $4.0 million and lower finance costs from lower levels of debt;
- Adjusted EBITDA was $1.6 million which was lower than $1.8 million in the comparative quarter in 2019 due to the lower revenue offset by lower production expenses.

Period to date

- Oil and gas sales and other revenues decreased by 21% to $6.5 million from $8.2 million due to lower oil & gas revenues. Gas revenues decreased from $7.6 to $6.5 million due to 8% lower production and a lower average price. Oil revenues reduced from $0.6 million to nil. $0.3m of oil sales were made during the period from KBD-02 test production which were offset against capitalised exploration and evaluation expenditure in accordance with established practice;
- The loss for the quarter was $3.5 million compared with $0.8 million in 2019. The current period includes an impairment charge on oil assets of $15.3 million offset by a gain on early settlement of debt of $12.3 million and lower finance costs from lower levels of debt;
- Adjusted EBITDA was $3.3 million which was lower than $5.1 million in 2019 due to the lower revenue.

Operational Highlights

	Units	Quarter ended June 30 2020	2019	Change	Six months ended June 30 2020	2019	Change
Kazakhstan							
Oil	bopd	331	-	-	166	75	121%
Gas	boe/d	2,015	2,227	(10%)	2,053	2,243	(8%)
Total	boe/d	**2,346**	**2,227**	**(5%)**	**2,219**	**2,318**	**(4%)**
Oil							
Net production	Bbls	30,079	-	-	30,079	13,496	123%
Net revenue[1]	USD'000	-	98	158%	-	580	(56%)
Production costs [1]	USD'000	(70)	614	(111%)	159	991	(84%)
Gross margin	USD'000	**70**	**(516)**	**(114%)**	**(159)**	**(411)**	**(61%)**
Gas							
Gross production	Mcm	31,157	34,437	(10%)	63,133	68,985	(8%)
Gas revenue net	$'000	2,977	3,473	(14%)	6,478	7,647	(15%)
Production costs	$'000	611	352	74%	1,297	713	82%
Gross margin	$'000	**2,366**	**3,121**	**(24%)**	**5,181**	**6,934**	**(25%)**

Note 1 – Oil revenue from test production of $253,000 and the associated production costs from the KBD-02 well in the Kul-bas contract area has been offset against capitalised exploration & evaluation expenditure. The oil production costs shown above relate to the Akkulka contract area.

Oil

- There was no oil production in the quarter or the comparative quarter in 2019 from the Akkulka field although for the six months to June 30, 2019 production averaged 75 bopd from the AKD-01 well which stopped producing in March 2019. Test production from the KBD-02 well in the Kul-bas exploration contract commenced in April 2020 and production for the quarter averaged 331 bopd and 166 for the six month period;
- Oil production costs continue to be incurred for the Akkulka field as the Company maintained some capacity. For the Kul-bas field production costs, along with the associated revenue, have been added to capitalised exploration costs in accordance with the Company's accounting policy and industry practice.

Gas

- Gas production averaged 2,015 boe/d compared with 2,227 boe/d in Q2 2019, a 10% decrease reflecting a natural decline in production;
- Gas production costs per higher in the current quarter mainly due to higher staff costs;
- Gas revenues decreased from $7.6 to $6.5million, a 15% reduction, due to 8% lower production and lower average price.

Operational Review

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to page 21 – “*Forward Looking Statements*“ of this MD&A.

The Company's objective is to become a leading oil and gas exploration and production 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 Kazakhstan.

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:

- Implement the transactions required by the settlement agreement signed with Olisol and DSFK signed in February 2020, as described in note 20 of the 2019 consolidated financial statements;
- Finish testing of the newly drilled KBD-02 (“Klymene”) 2,750m exploration well and, if successful, commence oil production;
- Drill new oil & gas wells to increase production levels and revenues; and
- Secure funding required to meet 2020 capital expenditure plans to the extent that these cannot be funded from existing cash generation. The Company has begun discussions with banks regarding the provision of funding.

Significant events and transactions for the six months ended June 30, 2020

- *Loan Restructuring*

  On January 6, 2020 the Company announced that it had agreed with one of its lenders (Khan Energy (Cayman) SPV Limited) to restructure a loan with current outstanding balance of $14.1 million, the key terms of which are described below:

  (1) The lender provided a waiver of all past defaults;
  (2) The maturity date was extended from January 31, 2017 to December 31, 2021;
  (3) Repayment of $1,000,000 was payable contingent upon certain future events;
  (4) A discount of $500,000 would be applied to the outstanding balance upon payment of the $1,000,000;
  (5) The Company would be required to use 15% of any gas sales receipts (net of VAT) received by its subsidiary companies, subject to a minimum of two hundred thousand dollars ($200,000) per month, to repay a portion of the outstanding balance;
  (6) The interest rate was changed from 20% to 10.5%, payable monthly;
  (7) An early payment discount would apply if Tethys made any repayments exceeding those described above on or before June 30, 2020 such that the outstanding balance would be reduced by two times the amount of the repayment i.e. an effective discount of up to 50% of the outstanding balance; and
  (8) A discount of $2,000,000 would apply to the outstanding balance upon full repayment of the loan on or prior to the maturity, less the amount of any early payment discount already received.

  On April 16, 2020 the Company announced that it had fully repaid the loan by remitting approximately $7.7 million.

- *Second Loan Restructuring*

  On January 17, 2020 the Company announced that it had signed a loan amendment agreement ("Amendment Agreement") with one of its lenders to restructure the loan originally made to the Company by AGR Energy Limited No. 1 (the "Loan") with current outstanding balance of approximately $12.1 million, the key terms of which are described below:

  (1) The lender provided a waiver of all past defaults;
  (2) The maturity date was extended from June 30, 2017 to June 30, 2021;
  (3) The outstanding loan balance was reduced from $12.1 million to $9.0 million;
  (4) The Loan which bore a default interest rate of 18% no longer bears interest; and
  (5) Twelve monthly repayments of $750,000 would be due commencing July 31, 2020.

  The monetary claims under the Loan were assigned by AGR Energy Limited No. 1 to a private individual in 2016. In conjunction with the Amendment Agreement, further assignments were made. The Amendment Agreement can be terminated if any of these assignments is declared by a court of competent jurisdiction as invalid, void or is otherwise terminated, in which case the Amendment Agreement would have no effect and the original loan agreement signed with AGR Energy Limited No. 1, as assigned to this individual, would continue in force and effect as if never amended by the Amendment Agreement.

On May 7, 2020, the Company announced a Second Amendment Agreement relating to the Loan whereby the outstanding loan balance became repayable in three instalments of $3.0 million on December 31, 2020, June 30, 2021 and December 31, 2021.

- *Loan Conversion*

  On January 27, 2020 the Company announced that holders of the loans originally made to Annuity and Life Reassurance Ltd had elected to convert in full, the principal and accrued interest outstanding on the Loans of $5,775,787 into 18,631,569 Tethys ordinary shares.

- *Settlement Agreement*

  On February 8, 2020 the Company announced that it had reached a legally binding settlement agreement with Olisol and certain of its affiliated companies and their principals and DSFK, (hereinafter the “Settlement ,Agreement”).

  The key terms of the Settlement Agreement insofar as they affect Tethys are:

  (1) Tethys and Olisol agree that they shall seek to discontinue the Canadian lawsuit commenced by Tethys on January 27, 2017 with no order as to costs and the parties agree not to bring any further claims in respect of the disputed matters in the Canadian lawsuit;

  (2) Tethys agreed to issue 18,000,000 ordinary shares to Olisol in full satisfaction, and in exchange for full repayment, of all amounts owing under the facility agreement between the parties. Based on the amount claimed by Olisol to be owing at December 31, 2019 of $7,396,812, this equated to a price of $0.41 per ordinary share;

  (3) Olisol agreed to sell a total of 2,809,036 Tethys ordinary shares to existing shareholder Gemini IT Consultants DMCC (“Gemini”) for an aggregate of $1,151,705, at a price of $0.41 per Share. The proceeds of the sale would be delivered by Olisol to DSFK;

  (4) Olisol agreed for a period of three years to always exercise the voting rights attaching to its ordinary shares in Tethys in accordance with the recommendation of the Tethys Board of Directors;

  (5) Tethys subsidiary, Tethys Aral Gas LLP (“TAG”), agreed to pay DSFK a settlement payment of KZT 1,434,692,762 (approximately $3.8 million) to cancel and release TAG from all obligations under the pledge agreements under which TAG’s gas transportation assets were pledged to DSFK;

  (6) The settlement payment referred to in (5) above would be funded from the proceeds of a convertible debenture which Tethys agreed to issue to Gemini and which Gemini agreed to subscribe for (the “Debenture”). The Debenture would be for an amount of no less than $4.6 million with a three year term, interest and principal due at maturity, interest rate of 9% payable if held to maturity or 4% if converted prior to maturity. The issuance of the Debenture would be subject to the approval of the TSXV, assuming that Tethys was able to move its listing from the NEX to the TSXV;

  (7) Olisol agreed to pay TAG KZT 227,223,284 (approximately $0.6 million) to settle unpaid oil sales debts owing to TAG;

(8) DSFK and Olisol agreed to release Tethys and TAG from all claims, and not to sue Tethys and TAG, in respected of the disputed matters, and vice versa; and

(9) Those parties to the Settlement Agreement, which are also parties to Kazakhstan court proceedings brought by DSFK, would seek to execute a mediation agreement reflecting their rights and obligations under the Settlement Agreement and have this approved by the Republic of Kazakhstan Court.

The obligation of Tethys and TAG to complete the transactions contemplated by the Settlement Agreement were subject to prior receipt of any approvals required by relevant securities laws or stock exchange rules, Gemini having subscribed and paid for the Debenture and Tethys satisfaction that all necessary DSFK corporate approvals have been obtained. Whilst not part of the Settlement Agreement, Tethys understands that Gemini plans to grant William Wells a six month option to purchase 50% of the Debenture at cost, plus accrued interest.

On June 8, 2020, the Company announced that the Kazakhstan Supreme court had ratified the agreement effective May 26, 2020. The Company subsequently made the required financial payment of 1,434,692,762 Tenge and issued the 18 million shares necessary to complete and finalize the agreement.

- *Kul-bas Exploration Contract*

Also on February 8, 2020 the Company announced that it had received confirmation of an extension of its Kul-bas Exploration Contract until December 31, 2022. This will allow the Company to test the KBD-02 exploration well (“Klymene”) which the Company finished drilling in December.

- *Covid-19*

The Covid-19 global pandemic emerged during the reporting period. Possible adverse effects from Covid-19 could include lower oil & gas prices received by the Company due to lower demand for oil & gas, customers not paying for oil & gas delivered, planned oil & gas development activities becoming uneconomic due to lower prices, difficulty in obtaining future financing, failure of suppliers who are no longer be able to supply goods and services and employees becoming unavailable due to sickness or quarantine measures. However, the Company’s oil & gas operations are in a remote region of Kazakhstan and the Company is taking precautions to prevent personnel from becoming infected and to identify infections at any early stage should they occur. At the time of writing, the Company has not suffered any significant adverse effect from Covid-19 and, at this time, it is not possible to determine what effect, if any, Covid-19 will have on the Company’s operations over the next twelve months.

- *Reduction in oil prices*

Brent and domestic spot and future oil prices fell significantly during the period due to world-wide over-supply and low demand for oil as a result of the Covid-19 pandemic. The effect of the reduction in prices on the value of the Company’s oil assets has been considered in note 5, of the Company’s condensed consolidated interim financial statements.

Operational Review - continued

- *TSX Venture Exchange Application*

  On March 17, 2020, the Company announced that it had received conditional approval from the TSX Venture Exchange ("TSXV") to graduate from the NEX Board to the TSXV as a Tier 2 Oil & Gas Issuer. Graduation to the TSXV was conditional on completion of the convertible debenture with Gemini and the shares for debt transaction with Olisol.

- *Gas Sales Prepayment*

  On April 16, 2020, the Company announced that its Kazakhstan subsidiary Tethys Aral Gas LLP ("TAG") had received a prepayment of approximately $7.6 million from its gas customer. TAG would continue to invoice its gas customer monthly in the normal way and the price of gas sold will be determined each month in accordance with the terms of the existing gas sales contract.

- *Completion of Debenture*

  Also on April 16, 2020, the Company announced that it had completed the issuance of the Debenture described above under *Settlement Agreement* in the amount of $4.8 million. The proceeds of the Debenture were used to make the settlement payment to DSFK, repay the outstanding balance of the Corporate Loan referred to above and for general working capital purposes.

- *Repayment of Corporate Loan*

  Also on April 16, 2020, the Company announced that it had fully repaid the restructured Khan Energy Loan by remitting approximately $7.7 million.

- *Testing of Klymene Exploration Well*

  On June 8, 2020, the Company announced that the testing of the KBD-02 well had provided indications of commercial amounts of oil. The Company has been careful to not only comply with all the necessary measures regarding well integrity but also in regards to Covid-19 protocols. The well test produced approximately 20,000 barrels of oil to the announcement date and averaged over 400 barrels/day for the previous week (using a 9 mm choke). The oil quality is good and there have been no water cut issues. Until the well goes into steady production, it is difficult to know whether to expect that this production rate can be increased. The test focused first on the Jurassic zone as the widest zone of three potential zones. This zone was tested until July 7 followed by the next zone, see below.

- *Drilling of Additional Gas Wells*

  Also on June 8, 2020, the Company announced that it plans to drill three gas wells later in the year, assuming a relaxation of the Covid-19 quarantine restrictions.

Significant events and transactions subsequent to the period end

- *Graduation to TSX Venture Exchange*

  On July 8, 2020, the Company announced that it had received approval to graduate from the NEX Board of the TSX Venture Exchange to a Tier 2 'Oil & Gas' Issuer on the TSX Venture exchange.

- *Testing of Klymene Exploration Well (KBD-02)*

  On July 14, 2020, the Company announced completion of its testing of the first zone of KBD-02 and the initiation of testing of the second potential zone. The testing of the first zone was done using different choke sizes ranging from 5mm and 11mm. The 11mm choke increased production to over 700 bopd from the previously announced 400 bopd (using a 9mm choke). The testing of the second zone resulted in an average production rate of 15.5 tons per hour or 372 tons per day (approximately 2,700 barrels per day) using an 11 mm choke. Using a 9 mm choke the average production rate was 276 tons per day. The oil quality is high, the pressure very good and at present there is no water present. Further testing is planned.

  On August 20, 2020, the Company announced that over the last 20 days the second zone had produced approximately 2,000 barrels of oil per day using different choke sizes. The most recent testing used a 11 mm choke and produced approximately 2,800 barrels of oil per day over the previous 7 days. The pressure has remained strong through 4 different choke sizes used during the testing. The well has produced over 77,000 barrels of oil in total. In July, oil was sold in the range of approximately $14-$17 per barrel. The Company is also in the process of pursing financing options in order to address debts coming due and to help accelerate expansion plans.

- *Loan Amendment*

  On August 25, 2020, the Company entered into a further loan Amendment with the holder of the loan originally issued to AGR Energy Limited No. 1. The amendment includes an option to make a repayment of $4 million by August 31, 2020 and a repayment of $3 million by December 31, 2020 as full repayment of the loan. The Company has received a gas prepayment of approximately $7.7 million and intends to make the $4 million payment by August 31.

Operational Review - continued

Results of Operations and Operational Review - Kazakhstan

Oil production

	2020					2019				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m³	barrels	barrels	days	bopd	m³	barrels	barrels	days	bopd
Q1	-	-	-	90	-	29,462	185,312	13,496	90	150
Q2	4,827	30,361	30,079	91	331	-	-	-	91	-
Total	**4,827**	**30,361**	**30,079**	**181**	**166**	**29,462**	**185,312**	**13,496**	**181**	**75**

Oil operations update

The Company stopped producing oil from the AKD-01 well in March 2019 and there was no oil production in the quarter (Q2 2019: 75 bopd). The well had been producing with an ESP installed in May 2017 and this initially boosted oil production significantly but thereafter production declined steadily and the water content reached 93% until production was no longer economic.

Historically, the Company has produced oil under a pilot production license which requires all production to be sold domestically. Depending on the success of future drilling activity it may be possible to apply for a full commercial production licence in future if production reaches commercial levels and the necessary infrastructure is put in place such as a gas utilisation facility for associated gas and transportation. A commercial production licence would enable a percentage (possibly around 75%) of oil to be exported and higher prices to be realised.

Joint Venture – Aral Oil Terminal (“AOT”)

The Company has a 50% interest in the AOT which was previously used to tranship oil produced by the Company after it was trucked to the AOT by the buyer until late 2016 when this arrangement ceased. The Company is considering its options with regard to disposing of its interest in the terminal.

Gas production – Kyzyloi and Akkulka Contracts

	2020				2019			
	Mcm	Mcf	Mcm/d	Boe/d	Mcm	Mcf	Mcm/d	Boe/d
Kyzyloi								
Q1	24,643	870,144	274	1,611	22,942	810,068	255	1,500
Q2	24,028	848,431	264	1,544	24,247	856,167	266	1,568
Total	**48,671**	**1,718,575**	**269**	**1,583**	**47,189**	**1,666,235**	**261**	**1,534**
Akkulka								
Q1	7,333	258,930	81	480	11,606	409,812	129	759
Q2	7,129	251,733	78	461	10,190	359,816	112	659
Total	**14,462**	**510,663**	**80**	**470**	**21,796**	**769,628**	**120**	**709**
Grand total	**63,133**	**2,229,238**	**349**	**2,053**	**68,985**	**2,435,863**	**381**	**2,243**

Gas operations update

Gas production for the quarter decreased to 342 Mcm per day compared with 378 Mcm per day in Q2 2019.

During the period, the Company produced dry gas from a total of 22 wells at a depth of approximately 480-600m below surface, comprising 10 producing wells in the Kyzyloi field and 12 in the Akkulka field.

Operational Review - continued

The completed Bozoi-Shymkent-China gas pipeline means that 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 Bukhara-Urals trunk line that transports gas from Central Asia into Russia. The Company believes that the long-term price for gas will rise in the region, in particular dry gas exported via pipeline from Central Asia and that Chinese demand will increase over the medium to long term, especially with the substitution in China of a greater percentage of energy use from gas instead of coal.

The Company plans to drill three new gas wells in 2020, subject to funding.

Exploration - update

The Klymene prospect is located in the Kul-Bas Exploration and Production Contract to the west of the Company's previously producing assets in the Akkulka exploration contract area. The prospect was identified from 2D seismic and indicates a four-way closure with bright spots at two of three prospective stratigraphic levels within the Cretaceous and Jurassic sequence, both of which were productive in the Company's Doris oilfield some 60 km to the east.

Drilling of the KBD02 ("Klymene") prospect commenced in July and was completed in December 2019 targeting a large structure in the south west of the Kul-Bas block and targeting three horizons in the Lower Cretaceous and Upper Jurassic. The Klymene prospect has the potential to be an order of magnitude bigger than the Doris oil discovery and surrounding prospects in the Akkulka contract area which has produced over four million barrels of oil (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 amplitude effects which may be indicative of enhanced porosity on the seismic acquired and interpreted.

In June 2020, the Company announced that the testing of the KBD-02 well had provided indications of commercial amounts of oil. The Company has been careful to not only comply with all the necessary measures regarding well integrity but also in regards to Covid-19 protocols. The well test produced approximately 20,000 barrels of oil to the announcement date and averaged over 400 barrels/day for the previous week (using a 9 mm choke). The oil quality is good and there have been no water cut issues. Until the well goes into steady production, it is difficult to know whether to expect that this production rate can be increased. The test focused first on the Jurassic zone as the widest zone of three potential zones. This zone was tested until July 7 followed by the next zone.

On July 14, 2020, the Company announced completion of its testing of the first zone and the initiation of testing of the second potential zone. The testing of the first zone was done using different choke sizes ranging from 5mm and 11mm. The 11mm choke increased production to over 700 bopd from the previously announced 400 bopd (using a 9mm choke). The testing of the second zone resulted in an average production rate of 15.5 tons per hour or 372 tons per day (approx. 2,700 barrels per day) using an 11 mm choke. Using a 9 mm choke the average production rate was 276 tons per day.

On August 20, 2020, the Company announced that over the previous 20 days the second zone had produced approximately 2,000 barrels of oil per day using different choke sizes. The most recent testing used a 11 mm choke and produced approximately 2,800 barrels of oil per day over the previous 7 days. The pressure has remained strong through 4 different choke sizes used during the testing. The well has produced over 77,000 barrels of oil in total. In July, oil was sold in the range of approximately $14-$17 per barrel. The Company is also in the process of pursing financing options in order to address debts coming due and to help accelerate expansion plans.

Financial Review

Summary of Quarterly Results

	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019	Q2, 2019	Q1, 2019	Q4, 2018	Q3, 2018
Oil & gas sales and other revenues	3,230	3,501	1,252	3,238	3,570	4,656	3,895	2,511
Profit/(loss) for the period	4,156	(7,432)	(7,517)	(496)	(1,533)	743	11,074	(323)
Basic earnings/(loss) ($) per share	0.04	(0.09)	(0.11)	(0.01)	(0.02)	0.01	0.18	(0.01)
Adjusted EBITDA[1]	1,836	1,448	(472)	1,940	1,801	3,289	2,945	1,386
Capital expenditure	289	165	2,986	2,502	858	455	2,759	93
Total assets	92,678	96,421	108,834	109,713	110,667	110,817	108,732	112,251
Cash & cash equivalents	650	4,519	694	2,368	4,002	2,379	3,460	2,800
Short & long term borrowings	13,159	24,342	40,196	38,459	36,850	35,341	33,885	32,851
Total non-current liabilities	16,320	15,659	9,776	9,723	9,994	9,450	14,897	14,247
Net debt[1]	12,509	19,823	39,502	36,091	32,848	32,962	30,425	30,051
Number of common shares outstanding	104,955,999	86,955,999	68,324,430	68,324,430	68,324,430	68,324,430	68,324,430	63,517,013

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 17 for details.

Profit/(loss) for the period

	Quarter ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Sales and other revenue	2,977	3,570	(17%)	6,478	8,227	(21%)
Production expenses	(541)	(966)	(44%)	(1,456)	(1,704)	(15%)
Depreciation, depletion & amortization	(1,114)	(1,290)	(14%)	(2,255)	(2,541)	(11%)
Impairment charges	-	-	-	(15,280)	-	-
Administrative expenses	(718)	(772)	(7%)	(1,455)	(1,388)	5%
Other gains and losses	3,957	-	-	12,260	193	6252%
Foreign exchange loss	(132)	(31)	326%	(233)	(239)	(3%)
Finance costs	(629)	(1,615)	(61%)	(1,879)	(3,175)	(41%)
	823	(4,674)	(118%)	(10,298)	(8,854)	16%
Profit/(loss) before tax	**3,800**	**(1,104)**	**(444%)**	**(3,820)**	**(627)**	**509%**
Taxation	106	(429)	(125%)	296	(166)	(278%)
Profit/(loss) for the period	**3,906**	**(1,533)**	**(355%)**	**(3,524)**	**(793)**	**344%**

Profit after tax for the quarter was $3.9 million compared with a loss of $1.5 million in Q2 2019, the principal variances being:

- Lower gas revenues from naturally declining production and a lower average gas price;
- Lower production expenses in relation to the Akkulka Oil field;
- A $4.0 million gain arising on early payment of the Khan Energy loan; and

Financial Review

- Lower finance costs due to lower levels of debt and reduced interest rates after loans were restructured.

Further variances between the two periods are summarized below together with a discussion of significant variances between the two periods.

Sales & other revenue

	Quarter ended June 30			Six months ended June 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Kazakhstan:						
Oil[1]	-	98	(100%)	-	580	(100%)
Gas	2,977	3,473	(14%)	6,478	7,647	(15%)
Total	**2,977**	**3,570**	**(17%)**	**6,478**	**8,227**	**(21%)**

Note 1 – Oil revenue from test production of $253,000 from the KBD-02 well in the Kul-bas contract area has been offset against capitalised exploration & evaluation expenditure.

Kazakhstan – Oil revenue

- Oil can only be sold in the domestic Kazakhstan market and is priced in local currency, the Tenge;
- Sale price is determined at the wellhead where the oil is sold and therefore the Company incurs no transportation or marketing costs;
- There was no oil revenue in the current quarter since oil sales from test production from the KBD-02 well in the Kul-bas exploration contract area has been offset against capitalised exploration & evaluation expenditure in accordance with the Company's accounting policy and industry practice, until the field moves from the exploration and evaluation stage to the production stage.

Kazakhstan - Gas revenue

- Gas revenues were 14% lower due to lower production for the quarter (15% for the six months), reflecting a 10% natural decline in production (8% for the six months) with no new wells being added and the effect of a lower average price for gas sold;
- Gas contracts are subject to price risk – refer to page 20 – "*Sensitivities*".

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Production expenses

		Quarter ended June 30			Six months ended June 30		
	Units	2020	2019	Change	2020	2019	Change
Kazakhstan							
Oil production costs Akkulka	$000's	(70)	614	(111%)	159	991	(84%)
Gas production	$000's	611	352	74%	1,297	713	(82%)
Total	$000's	**541**	**966**	**(44%)**	**1,456**	**1,704**	**(15%)**
Oil production costs Kul-bas[1]	$000's	113	-	-	113	-	-
Oil							
Net production	bbls	30,079	-	-	30,079	13,496	123%
Cost	$/bbl	3.76	-	-	3.76	73.43	(95%)
Gas							
Production	boe	183,372	203,326	(10%)	371,563	406,003	(8%)
Cost	$/boe	3.33	1.73	92%	3.39	1.76	98%
Weighted average cost per boe	$/boe	3.39	4.75	(28%)	3.51	4.06	(14%)

Note 1 – Oil production costs relating to test production from the KBD-02 well in the Kul-bas contract area have been capitalised to exploration & evaluation expenditure.

Kazakhstan – oil production

A significant proportion of costs associated with oil production are fixed, so costs are not generally expected to reduce in the same proportion as a decline in production. Oil production costs continued during the period despite there being no production as the Company maintained some capacity in anticipation of production resuming. Oil production costs relating to test production from the KBD-02 well in the Kul-bas contract area have been capitalised to exploration & evaluation expenditure.

Kazakhstan – gas production

Gas production costs increased in the current quarter by 74% (and 82% for the six months) mainly due to a higher allocation of staff costs. Gas production, generally more so than the oil, has a significant fixed cost element which includes compressor supplies denominated in US dollars and consequently, as production declines, the production cost per Mcm (or boe) generally increases.

Depreciation, depletion and amortization ("DD&A")

DD&A for the quarter was $1.1 million (Q2 2019: $1.3 million) mainly relating to the Kazakh producing gas assets. The decrease in DD&A expense mainly reflects lower production during the quarter.

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Administrative expenses

	Quarter ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Staff	416	316	32%	803	548	47%
Non-executive director fees	43	48	(10%)	103	100	3%
Professional fees	103	165	(38%)	253	345	(27%)
Other administrative expenses	156	243	(36%)	296	395	(25%)
Total	**718**	**772**	**(7%)**	**1,455**	**1,388**	**5%**
G&A expenses per boe ($)	3.36	3.80	(12%)	3.62	3.31	9%

- Staff costs increased in the quarter as a result of higher personnel costs in Kazakhstan;
- Professional fees were lower due to lower legal expenses; and
- Other general & administrative expenses were lower due to lower vehicle costs in Kazakhstan.

Other gains and losses

Other gains and losses represents the gain arising from modifications of the terms of the Company's borrowings where more favourable repayment terms were agreed in January 2020. The Q2 2020 amount represents a further gain arising on early repayment of the Khan Energy loan.

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. These arise mainly in Kazakhstan from variations in the KZT:USD exchange rate.

Finance costs - net

Finance costs comprise interest expense net of interest income and were lower due to lower interest rates and loan balances in the current quarter as the Company's borrowings were renegotiated, converted into shares and repaid during.

Taxation

The deferred tax credit was at a similar level and arises mainly due to property, plant & equipment timing differences for accounting and tax purposes.

Liquidity and Capital Resources

The Company reported a loss of $3.5 million for the six months ended June 30, 2020 (2019 year: $8.8 million loss) and an accumulated deficit as at that date of $367.6 million (December 31, 2019: $365.7 million) and negative working capital of $12.9 million (December 31, 2019: negative $47.1 million). In addition, the Company reported cash flow from operating activities before tax of $7.5 million for the six months ended June 30, 2020 (2019 year: $5.0 million).

The Company's financial position materially improved when some of the Company's loan obligations were restructured, repaid and/or converted into Tethys ordinary shares during the period and a settlement agreement was signed with Olisol Petroleum Limited ("Olisol") and DSFK Special Finance

Company LLP ("DSFK") to resolve all disputed matters with those parties. In April 2020, the Company announced that it had completed the issuance of a $4.8 million convertible debenture and received the proceeds which was used to make the settlement payment to DSFK, reduce debt and for general working capital purposes. Further details of these transactions are provided in note 20 of the Company's 2019 consolidated financial statements – *Subsequent events.*

Nevertheless, the Company does not have sufficient funding to fund its obligations for the next twelve months and will need to raise funds to meet any shortfall and to fund its planned capital expenditure program. The Company also has various commitments and contingencies as disclosed in note 19 of the 2019 consolidated financial statements. These circumstances indicate the existence of a material uncertainty which cast significant doubt on the Company's ability to continue as a going concern.

Possible adverse effects from the Covid-19 pandemic could include lower oil & gas prices received by the Company due to lower demand for oil & gas, customers not paying for oil & gas delivered, planned oil & gas development activities becoming uneconomic due to lower prices, difficulty in obtaining future financing, failure of suppliers who are no longer be able to supply goods and services and employees becoming unavailable due to sickness or quarantine measures. However, the Company's oil & gas operations are in a remote region of Kazakhstan and the Company is taking precautions to prevent personnel from becoming infected and to identify infections at any early stage should they occur. At the time of writing, the Company has not suffered any significant adverse effect from Covid-19 and, at this time, it is not possible to determine what effect, if any, Covid-19 will have on the Company's operations over the next twelve months.

In order to support the Company's short term liquidity position and improve the Company's financial situation, we will need to:

- Implement the transactions required by the settlement agreement with Olisol and DSFK signed in February 2020, as described in note 20 of the 2019 consolidated financial statements;
- Finish testing of the newly drilled KBD-02 ("Klymene") 2,750m exploration well and, if successful, commence oil production;
- Drill new oil & gas wells to increase production levels and revenues; and
- Secure funding required to meet 2020 capital expenditure plans to the extent that these cannot be funded from existing cash generation. The Company has begun discussions with banks regarding the provision of funding.

Financing and Going Concern

Details of the Company's financing and going concern assessment are provided in note 1 of the condensed consolidated interim financial statements.

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Cash Flow

	Quarter ended June 30			Six months ended June 30		
	2020	2019	Change	2020	2019	Change
Net cash from operating activities	**234**	**3,332**	**(93%)**	**7,510**	**2,378**	**216%**
Capital expenditure	(36)	(858)	(96%)	(199)	(1,314)	(85%)
Net changes in working capital	(893)	(859)	4%	(1,008)	(904)	12%
Movement in restricted cash	(30)	-	-	(19)	-	-
Net cash used in investing activities	**(959)**	**(1,717)**	**(44%)**	**(1,226)**	**(2,218)**	**(45%)**
Proceeds of new borrowings	4,800	-	-	4,800	-	-
Repayment of borrowings	(4,690)	-	-	(7,690)	-	-
DSFK settlement	(3,424)	-	-	(3,424)	-	-
Net cash used in financing activities	**(3,314)**	**-**	**-**	**(6,314)**	**-**	**-**
Effect of exchange rates	170	18	844%	(14)	382	(104%
Net increase in cash	**(3,869)**	**1,623**	**(338%)**	**(44)**	**542**	**(108%)**
Cash & cash equivalents at beginning of period	4,519	2,379	90%	694	3,460	(80%)
Cash & cash equivalents at end of period	**650**	**4,002**	**(84%)**	**650**	**4,002**	**(84%)**

Operating activities

Net cash from operating activities in the current six months was significantly higher due to the receipt during the period of a $7.6 million prepayment received from the Company's gas customer. The Company will continue to invoice the customer monthly and the price will be determined in the normal way until the prepayment has been earned.

Investing activities

No significant capital expenditure was incurred during the period.

Financing activities

A $3.0 million repayment was made against the loan due to Khan Energy in Q1 2020 and the balance of the loan was repaid in April 2020 making $7.7 million in total. The settlement payment to DSFK in the amount of KZT 1.4 billion ($3.4 million), refer page 6 above, was paid during the period.

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 March 31, 2019 condensed consolidated interim financial statements. Refer to note 4 of the 2019 consolidated financial statements for 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

Adjusted EBITDA

Adjusted EBITDA is defined as "Profit or loss 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.

The reconciliation of Adjusted EBITDA to profit/(loss) for the period is as follows:

	Quarter ended June 30			Six months ended June 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Loss before taxation	3,800	(1,104)	(444%)	(3,820)	(627)	509%
Depreciation, depletion and amortization	1,114	1,290	(14%)	2,255	2,541	(11%)
Impairment charges	-	-	-	15,280	-	-
Other gains and losses	(3,957)	-	-	(12,260)	(193)	6252%
Finance costs - net	629	1,615	(61%)	1,879	3,175	(41%)
Adjusted EBITDA	**1,586**	**1,801**	**(12%)**	**3,334**	**5,089**	**(34%)**

Net debt

Net debt 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 statements of financial position for the respective reporting periods.

	As at June 30		
	2020	**2019**	**Change**
Total financial liabilities - borrowings	13,159	36,850	(64%)
Less: cash and cash equivalents	(650)	(4,002)	(84%)
Net debt	**12,509**	**32,848**	**(62%)**
Total equity	57,639	55,913	3%
Total capital	**70,148**	**88,761**	**(21%)**

Refer to the section above *"Liquidity and capital resources"* for a description of the Company's plans to reduce net debt.

Adjusted EBITDA and Net debt shown in this MD&A do not have any standardised 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 June 30, 2020 the Company had authorised share capital of 145,000,000 (2019: 145,000,000) ordinary shares of which 104,955,999 (June 30, 2019: 68,324,430) had been issued and 50,000,000 (June 30, 2019: 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 of the Company.

The number of ordinary shares issued and outstanding at the date of this MD&A was 104,955,999 and the number of preference shares issued and outstanding was nil.

The number of options issued under the Company's Long Term Stock Incentive Plan and outstanding as at June 30, 2020 was 1,362,188 (June 30, 2019: 1,362,188) and the number of warrants outstanding was nil (June 30, 2019: 14,422,500). Loan facilities were in place which were convertible into a total of up to 17,437,353 (June 30, 2019: 18,361,606) ordinary shares.

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Dividends

There were no dividends paid or declared in the period.

Transactions with Related Parties

There were no transactions with related parties requiring disclosure.

Commitments and contingencies

Details of the Company's commitments and contingencies including litigation, claims and assessments, work programme commitments and operating leases are provided in note 19 of the 2019 consolidated financial statements.

A summary of the Company's contractual obligations for each of the next five years and thereafter is shown in the table below:

	Total		**Payments due by period**		
Contractual obligations		**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Borrowings	13,159	6,000	7,159	-	-
Kazakhstan work programme commitments	42,410	12,885	13,175	8,367	7,983
Trade and other payables	5,570	5,570	-	-	-
Provisions	1,648	-	533	-	1,115
Total contractual obligations	**62,787**	**24,455**	**20,867**	**8,367**	**9,098**

Risks, uncertainties and other information

Risk management is carried out by senior management, in particular the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") as well as the Board of Directors. The Company has identified its principal risks for 2020 to include:

(1) Liquidity and going concern;

(2) Retention and extension of existing licences;

(3) Production volumes and pricing – both oil and gas; and

(4) Political, fiscal, litigation 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, commodity price and foreign exchange risk. Details of the Company's exposure to these risks and how this is managed is given in note 3 to the consolidated financial statements for the year ended December 31, 2019. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors of the Company 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.

Sensitivities

The price of gas sales from gas produced from both the Kyzyloi and Akkulka gas fields under gas sales contracts denominated in Tenge and is sensitive to a fluctuation gas prices. A 20% net price reduction from the 2020 average sales price, would result in a reduction of $2.8 million p.a. in gas revenues based on illustrative 2020 annual gas sales volume of 126,000 Mcm.

The price of oil sales is sensitive to movements in the market price. On a production level of 2,000 bopd, a movement of $1 per barrel on the price received by the Company would result in a plus or minus movement in oil sales revenue of $0.7 million per annum.

Critical Accounting Policies and Estimates

The annual and condensed consolidated interim financial statements of the Company are prepared in accordance with IFRS and IFRIC Interpretations issued by the IFRS Interpretations Committee, refer to 2019 Consolidated Financial Statements - note 2 *Summary of Significant Accounting Policies* and Note 4 – *Critical Judgements and Accounting Estimates* – for further details.

Derivative Financial Instruments

The Company has not recognised any derivative financial instruments.

Significant equity investees

Details of significant equity investees are discussed in note 17 of the consolidated financial statements for the year ended December 31, 2019.

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 the Company's 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.

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: the significant uncertainty over the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations and continue as a going concern; risks of exploration and production licenses, contracts and permits being cancelled due to non-fulfilment of contractual commitments or not being renewed when they expire; the Company will not be successful in negotiating binding terms for the export of oil and gas at prices significantly higher than prices currently realised; volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; ability to successfully complete proposed debt or equity financings or restructuring; product supply and demand; market competition; ability to realise current market oil and 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; unexpected cost increases or technical difficulties in constructing pipeline or other facilities; unexpected delays in its drilling operations; unexpected difficulties in transporting oil or natural gas; risks associated with technology; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; 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 associated with the uncertainties, inconsistencies and contradictions in local laws and their interpretation and application in local jurisdictions in which the Company operates; 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.

Forward-looking statements - continued

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; future prices for oil and 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 regulatory framework representing mineral extraction taxes, royalties, taxes and environmental matters in the countries in which the Company conducts its business, gas production levels; 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.

Glossary

AKD	Akkulka Deep development well in the Akkulka Exploration Contract area
AOT	Aral Oil Terminal LLP
Bbls	Barrels of oil
boe/d	Barrel of oil equivalent per day
bopd	Barrels of oil per day
DSFK	DSFK Special Finance Company LLP
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESP	Electrical submersible pump
GAAP	Generally accepted accounting principles
Gemini	Gemini IT Consultants DMCC
IFRS	International Financial Reporting Standards
KASE	Kazakhstan Stock Exchange
Klymene	KBD-02 exploration well in the Kul-Bas Exploration Contract area
KZT	Kazakhstani Tenge
m3	Cubic metre
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
Mcm	Thousand cubic metres
Mcm/d	Thousand cubic metres per day
MD&A	Management's Discussion & Analysis
NPV	Net present value
NEX	NEX Board of the TSX Venture Exchange
Olisol	Olisol Investments Limited and Olisol Petroleum Limited
Q1	Three month period commencing January 1 and ending 31 March
Q2	Three month period commencing April 1 and ending 30 June
Q3	Three month period commencing July 1 and ending 30 September
Q4	Three month period commencing October 1 and ending 31 December
sq.km	Square kilometre
TAG	Tethys Aral Gas LLP
Tethys	Tethys Petroleum Limited and subsidiary companies
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
VAT	Value added tax
YTD	Year to date cumulative
$	United States Dollar
$/bbl	$ per barrel
$/Mcm	$ per thousand cubic metre