Tethys Petroleum Limited

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

Contents

The following Management's Discussion and Analysis ("MD&A") is dated October 27, 2020 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the period ended September 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 September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Oil and gas sales and other revenues	2,148	3,238	(34%)	8,626	11,465	(25%)
Loss for the period from continuing operations	(241)	(496)	(51%)	(3,765)	(1,287)	193%
Loss ($) per share from continuing operations - basic	(0.00)	(0.01)	(100%)	(0.04)	(0.02)	100%
Adjusted EBITDA[1]	1,220	1,940	(37%)	4,553	6,837	(33%)

	As at September 30		
	2020	2019	Change
Total assets	92,304	109,713	(16%)
Cash & cash equivalents	4,575	2,368	93%
Short & long term borrowings	9,572	38,459	(75%)
Total non-current liabilities	16,632	9,723	71%
Net debt[1]	4,997	36,091	(86%)
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 19 for details.

Third quarter 2020 versus third quarter 2019

- Oil and gas sales and other revenues decreased by 34% to $2.1 million from $3.2 million. Oil revenues were nil in both periods. Gas revenues decreased due to 4% lower production and a lower average price. Oil sales of $2.1m in the quarter from KBD-02 test production have been offset against capitalised exploration and evaluation expenditure in accordance with the Company's accounting policy and industry practice;
- The loss for the quarter was $0.2 million compared with a loss of $0.5 million in the comparative quarter in 2019. The current period includes lower revenues offset by lower finance costs from the reduction in debt levels;
- Adjusted EBITDA was $1.2 million which was lower than $1.9 million in the comparative quarter in 2019 due to the lower revenue offset by a foreign exchange gain in the current period from the revaluation of monetary items.

Period to date

- Oil and gas sales and other revenues decreased by 25% to $8.6 million from $11.5 million due to lower oil & gas revenues. Gas revenues decreased from $10.9 to $8.6 million due to 7% lower production and a lower average price. Oil revenues reduced from $0.6 million to nil. $2.5m of oil sales were made during the period from KBD-02 test production which were offset against capitalised exploration and evaluation expenditure as explained above;
- The loss for the nine month period was $3.8 million compared with a $1.3 million loss 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, the lower revenues described above and lower finance costs from the reduction in dent levels;
- Adjusted EBITDA was $4.6 million which was lower than $6.8 million in 2019 due mainly to the lower revenue in the current period.

Operational Review

	Units	Quarter ended September 30 2020	2019	Change	Nine months ended September 30 2020	2019	Change
Kazakhstan							
Oil	bopd	2,106	-	-	820	49	1573%
Gas	boe/d	2,047	2,138	(4%)	2,051	2,208	(7%)
Total	boe/d	**4,153**	**2,138**	**94%**	**2,871**	**2,257**	**27%**
Oil							
Net production	Bbls	193,776	-	-	223,855	13,496	1559%
Oil sales [1]	USD'000	2,295	-	-	2,548	580	339%
Production costs [1]	USD'000	112	142	(21%)	384	1,133	(66%)
Gross margin	USD'000	**2,183**	**(142)**	**(1637%)**	**2,164**	**(553)**	**(491%)**
Gas							
Gross production	Mcm	32,011	33,415	(4%)	95,144	102,400	(7%)
Gas sales	$'000	2,148	3,238	(34%)	8,626	10,885	(21%)
Production costs	$'000	535	381	40%	1,833	1,094	68%
Gross margin	$'000	**1,613**	**2,857**	**(44%)**	**6,793**	**9,791**	**(31%)**

Note 1 – 2020 amounts shown in the table above include oil sales and the associated production costs from test production of the KBD-02 well. In accordance with the Company's accounting policy and industry practice, these amounts have been offset against capitalised exploration & evaluation expenditure and are not shown in the Company's income statement.

Oil

- Oil production in the quarter averaged 2,106 bopd from test production at the KBD-02 well in the Kul-bas exploration contract. There was no oil production in the prior year comparative quarter. For the nine month period production averaged 820 bopd from KBD-02. In the comparative prior year period production averaged 49 bopd from the AKD-01 well which stopped producing in March 2019;
- All oil sales in 2020 were from the KBD-02 well whereas in 2019 oil sales were from the AKD-01 well;
- Oil production costs were significantly lower in the current quarter and year to date than in 2019. Oil production costs have continued to be incurred for the Akkulka field as the Company maintains some capacity in anticipation of recommencing production from that field;

Gas

- Gas production averaged 2,047 boe/d for the current quarter compared with 2,138 boe/d in Q3 2019, a 4% decrease. For the 9 months gas production averaged 2,051 boe/d versus 2,208 boe/d in 2019, a 7% decrease, reflecting a natural decline in production;
- Gas sales were lower in the current quarter and year to date due to the lower production and a lower average gas price received;
- Gas production costs per higher in the current quarter and year to date, mainly due to higher personnel costs.

Operational Review

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to page 22 – "*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 developing 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:

- Complete testing of the newly drilled KBD-02 ("Klymene") 2,750m exploration well and obtain the necessary approvals to move from the testing phase to commercial oil production;
- Drill new oil & gas wells to increase production levels and revenues; and
- Secure funding required to meet capital expenditure plans to the extent that these cannot be funded from existing cash generation.

Significant events and transactions for the nine months ended September 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 its loan with 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 another of its lenders to restructure the loan originally made to the Company by AGR Energy Limited No. 1 (the "Loan") with 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.

On August 25, 2020, the Company entered into a further amendment of the Loan. The amendment includes an option to make a repayment of $4 million by August 31, 2020, which the Company duly made, and a repayment of $3 million by December 31, 2020 as full repayment of the loan.

On October 14, 2020, the Company announced that a further agreement had been signed allowing Tethys to receive a discount of $70,000 if it repays the remaining $3 million prior to October 19, 2020. Tethys has taken advantage of this opportunity and retired the Loan from cash on hand.

- *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 agreed to discontinue the Canadian lawsuit commenced by Tethys on January 27, 2017 with no order as to costs and the parties agreed 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 $3.4 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 was to 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 planned 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 2019.

- *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.

- *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.

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

- *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 would 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 Khan Energy loan 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 KBD-02 ("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 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 testing 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.

  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.

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 four different choke sizes used during the testing.

- *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

- *New gas wells*

On October 7, 2020, the Company announced that the recently drilled gas wells at Akkulka, AKK-100 and AKK-101 have successfully produced gas a rate of approximately 60,000 cubic meters per day and they have been tied into pipelines and are producing.

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

Also on October 7, 2020, the Company announced the most recent testing on the KBD-02 has continued to produce approximately 3,000 barrels per day using a 12 mm choke. In total, the well had produced over 200,000 barrels to that date.

On October 14, 2020, the Company announced that Tethys has started the production testing of the third zone of KBD-02. The well was perforated on October 11, 2020. The initial testing used chokes ranging from 5mm to 15 mm. The rate of production ranged from approximately 630 barrels per day using the 5 mm choke to 4,185 barrels per day using the 15 mm choke. While these test results are encouraging, they should be considered preliminary until the tests are carried out over a longer period and help confirm the ability to sustain these production rates over longer periods.

- *Drilling and seismic acquisition update*

On October 14, 2020, the Company announced that activities for drilling of AKD-12 (depth - 1200m) and AKD-33 gas wells are moving forward with the start of drilling anticipated for middle of October. It is anticipated that the drilling operations will be completed on both wells by the end of November. The AKD-12 is believed to have potential for an oil find in addition to gas. Tethys also has entered into contracts for the acquisition, interpretation and analysis for 3D seismic for the Klymene field and additional acreage in the Kyzloi/Akulka fields. The estimated cost is about $3.5 million with an expectation of this work being completed by the end of June, 2021.

On October 26, 2020, the Company announced that the spudding of the AKD-33 and AKD-12 wells have taken place and management expects to receive a test result by the end of November on both wells. Management does not anticipate drilling any more wells in the Kul-bas field until after the 3D seismic and interpretation is acquired (expected by June, 2011).

- *Reserve report update*

Tethys engaged Gustavson Associates to provide a reserve report on the Jurassic and Lower Aptian zones for the KBD-02 well. On October 14, 2020, the Company announced that this report had been completed and was prepared in compliance with NI51-101, Standards of Disclosure for Oil and Gas Activities and the COGE Handbook. The previous reports which classified the anticipated production as Contingent Resources has been upgraded to now classify as Proved, Probable, and Possible Reserves (as the economic analysis is now complete). Given the significance of the new field with the KBD02 discovery, Tethys has engaged McDaniel & Associates to provide a second opinion on the estimated reserves on the Klymene field. It is expected that this report will also include the Upper Aptian in addition to the first two zones included in the Gustavson report. The following is a summary from the Gustavson report covering the Jurassic and Lower Aptian zones only:

							Net Present Value at 10%(000's US$)			
	Gross Oil (thousands of bbls)		Gross Gas (Millions of Standard Cubic Feet)		Thousands of BOEs		Before Tax		After Tax	
Category	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Total Proved	50,509		27,559		55,102	0	$647,600		$266,038	
Total Proved + Probable	224,312		121,368		244,540	0	$1,647,340		$675,707	
Total Proved + Probable + Possible	668,655		319,264		721,866	0	$6,141,456		$2,613,123	

- *Financing transactions*

On October 26, 2020, Tethys announced that it had repaid the loan originally made to the Company by AGR Energy Limited No. 1, see above under *Second Loan Restructuring* for further details.

Further, existing shareholders, Gemini IT Consultants DMCC and APL Construction LLP have agreed with Tethys to loan the Company approximately $2.5 million and $1.4 million respectively, for 2 years at a rate of 6.5%. These loans are unsecured and can be repaid without penalty if cheaper financing can be found. The loans will be used to fund Tethys' operations.

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	5,809	36,535	30,079	91	331	-	-	-	91	-
Q3	37,162	233,740	193,776	92	2,106	-	-	-	92	-
Total	**42,971**	**270,275**	**223,855**	**273**	**820**	**29,462**	**185,312**	**13,496**	**273**	**49**

Oil operations update

Production amounts in the table above are from the KBD-02 ("Klymene") exploration well in 2020 and from the AKD-01 in 2019. Production from AKD-01 stopped in March 2019.

Klymene 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 which indicated 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 Klymene prospect commenced in July 2019 and was completed in December targeting a large structure in the south west of the Kul-Bas block and three horizons in the Lower Cretaceous and Upper Jurassic.

In June 2020, the Company announced that the testing of the KBD-02 well had provided indications of commercial amounts of oil. A description of the testing conducted to date is provided above under *Significant events and transactions for the nine months ended September 30, 2020.*

On October 14, 2020, the Company announced that activities for drilling of AKD-12 (depth -1200m) and was moving forward and it is anticipated that the drilling operations would be completed by the end of November. The AKD-12 well is believed to have potential for an oil find in addition to gas. Tethys also has entered into contracts for the acquisition, interpretation and analysis for 3D seismic for the Klymene field and additional acreage in the Kyzloi/Akulka fields. The estimated cost is about $3.5 million with an expectation of this work being completed by the end of June, 2021.

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
Q3	24,297	857,937	264	1,554	24,638	869,948	268	1,577
Total	**72,968**	**2,576,512**	**267**	**1,573**	**71,827**	**2,536,183**	**263**	**1,549**
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
Q3	7,714	272,373	84	493	8,777	309,924	95	561
Total	**22,176**	**783,036**	**81**	**478**	**30,573**	**1,079,552**	**112**	**659**
Grand total	**95,144**	**3,359,548**	**348**	**2,051**	**102,400**	**3,615,735**	**375**	**2,208**

Gas operations update

Gas production for the quarter decreased to 348 Mcm per day compared with 363 Mcm per day in Q3 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.

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.

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. On October 7, 2020, the Company announced completion of the recently drilled gas wells at Akkulka, AKK-100 and AKK-101 which successfully produced gas a rate of approximately 60,000 cubic meters per day and they have been tied into pipelines and are producing. Drilling of the AKD-33 gas wells is moving forward and it is anticipated that the drilling operations will be completed by the end of November.

On October 14, 2020, the Company announced that Tethys also has entered into contracts for the acquisition, interpretation and analysis for 3D seismic for the Klymene field and additional acreage in the Kyzloi/Akulka fields. The estimated cost is about $3.5 million with an expectation of this work being completed by the end of June, 2021.

Financial Review

Summary of Quarterly Results

	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019	Q2, 2019	Q1, 2019	Q4, 2018
Oil & gas sales and other revenues	2,148	3,230	3,501	1,252	3,238	3,570	4,656	3,895
Profit/(loss) for the period	(241)	4,156	(7,432)	(7,517)	(496)	(1,533)	743	11,074
Basic earnings/(loss) ($) per share	(0.00)	0.04	(0.09)	(0.11)	(0.01)	(0.02)	0.01	0.18
Adjusted EBITDA[1]	1,220	1,836	1,448	(472)	1,940	1,801	3,289	2,945
Capital expenditure	(1,018)	289	165	2,986	2,502	858	455	2,759
Total assets	92,304	92,678	96,421	108,834	109,713	110,667	110,817	108,732
Cash & cash equivalents	4,575	650	4,519	694	2,368	4,002	2,379	3,460
Short & long term borrowings	9,572	13,159	24,342	40,196	38,459	36,850	35,341	33,885
Total non-current liabilities	16,632	16,320	15,659	9,776	9,723	9,994	9,450	14,897
Net debt[1]	4,997	12,509	19,823	39,502	36,091	32,848	32,962	30,425
Number of common shares outstanding	104,955,999	104,955,999	86,955,999	68,324,430	68,324,430	68,324,430	68,324,430	68,324,430

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 18 for details.

Loss for the period

	Quarter ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Sales and other revenue	2,148	3,238	(34%)	8,626	11,465	(25%)
Production expenses	(581)	(523)	11%	(2,038)	(2,227)	(8%)
Depreciation, depletion & amortization	(1,229)	(1,195)	3%	(3,484)	(3,736)	(7%)
Impairment charges	-	-	-	(15,280)	-	-
Administrative expenses	(738)	(733)	0%	(2,193)	(2,120)	1%
Other gains and losses	-	-	-	12,261	193	6253%
Foreign exchange loss	391	(42)	(1031%)	158	(281)	(156%)
Finance costs	(440)	(1,461)	(70%)	(2,320)	(4,636)	(50%)
	(2,597)	(3,954)	(34%)	(12,896)	(12,807)	1%
Loss before tax	**(449)**	**(716)**	**(37%)**	**(4,270)**	**(1,342)**	**218%**
Taxation	208	220	(5%)	505	55	818%
Loss for the period	**(241)**	**(496)**	**(51%)**	**(3,765)**	**(1,287)**	**193%**

Loss after tax for the nine months was $3.8 million compared with a loss of $1.3 million in 2019 and loss for the quarter was $0.2 million compared with a loss of $0.5 million in Q3 2019 , the principal variances being:

- Lower gas revenues from naturally declining production and a lower average gas price;
- No oil revenue recognised in 2020. Oil sales of $2.5 million ($2.3 million for Q3 2020) from test production at the KBD-02 well have been offset against capitalised exploration & evaluation

expenditure in accordance with the Company's accounting policy and industry practice and consequently are not shown in the Company's income statement.

- Impairment charge of $15.3 million recognised in Q1 2020 for the Akkulka oil due to a significant reduction in the outlook for oil prices;

- Gain of $12.3 million from the renegotiation and early payment discounts of loan agreements; and

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

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 September 30			Nine months ended September 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Kazakhstan:						
Oil[1]	-	-	-	-	580	(100%)
Gas	2,148	3,238	(34%)	8,626	10,885	(21%)
Total	**2,148**	**3,238**	**(34%)**	**8,626**	**11,465**	**(25%)**

Note 1 – in accordance with the Company's accounting policy and industry practice oil sales of $2,548,000 ($2,295,000 for Q3 2020) from test production of the KBD-02 well have been offset against capitalised exploration & evaluation expenditure and consequently are not shown in the Company's income statement.

Kazakhstan – Oil revenue

- Oil can only be sold in the domestic Kazakhstan market and is priced in local currency, the Tenge. Oil was sold at average prices of around $13 a barrel in 2020;
- 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 34% lower due to lower production for the quarter (21% for the nine month period), reflecting a 4% natural decline in production (7% for the nine month period) 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 21 – "*Sensitivities*".

Financial Review

Production expenses

	Units	Quarter ended September 30 2020	2019	Change	Nine months ended September 30 2020	2019	Change
Kazakhstan							
Oil production costs Akkulka	$000's	46	142	(68%)	205	1,133	(82%)
Gas production	$000's	535	381	40%	1,833	1,094	68%
Total	$000's	**581**	**523**	**11%**	**2,038**	**2,227**	**(8%)**
Oil production costs Kul-bas[1]	$000's	66	-	-	179	-	-
Oil							
Production	bbls	193,776	-	-	223,855	13,496	1559%
Cost	$/bbl	0.58	n/a	-	1.72	83.95	(98%)
Gas							
Production	boe	188,397	196,658	(4%)	559,960	602,661	(7%)
Cost	$/boe	2.84	1.94	46%	3.27	1.82	80%
Weighted average cost per boe	$/boe	1.69	2.66		2.83	3.61	

Note 1 – in accordance with the Company's accounting policy and industry practice oil production costs relating to test production from the KBD-02 well have been capitalised to exploration & evaluation expenditure and are not shown in the Company's income statement.

Kazakhstan – oil production

Oil production costs were significantly lower in the current quarter and year to date than in 2019. Oil production costs have continued to be incurred for the Akkulka field as the Company maintains some capacity in anticipation of recommencing production from that field. 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 40% (and 68% for the nine months) mainly due to a higher personnel costs.

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

DD&A for the quarter was $1.2 million (Q3 2019: $1.2 million) and for the nine months of $3.5 million (2019: $3.7 million) mainly relates to depletion of the Kazakh gas assets. The decrease in DD&A expense in the nine month period mainly reflects lower production during the quarter.

Financial Review

Administrative expenses

	Quarter ended September 30			Nine months ended September 30		
	2020	2019	Change	2020	2019	Change
Staff	393	354	11%	1,196	902	33%
Non-executive director fees	64	51	25%	168	151	11%
Professional fees	100	148	(32%)	353	493	(28%)
Other administrative expenses	181	180	0%	476	574	(17%)
Total	**738**	**733**	**0%**	**2,193**	**2,120**	**1%**
G&A expenses per boe ($)	1.93	3.73	(48%)	2.79	3.44	(19%)

- 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 a reduction in travel and office costs and socio-economic contributions.

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 and from the Company taking advantage of early settlement discounts.

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 arises mainly due to property, plant & equipment timing differences for accounting and tax purposes.

Liquidity and Capital Resources

The Company reported a loss of $3.8 million for the nine months ended September 30, 2020 (2019 year: $8.8 million loss) and an accumulated deficit as at that date of $367.8 million (December 31, 2019: $365.7 million) and negative working capital of $10.1 million (December 31, 2019: negative $47.1 million). In addition, the Company reported cash flow from operating activities before tax of $14.4 million for the nine months ended September 30, 2020 (2019 year: $5.0 million).

The Company's financial position has materially improved as a result of the Company's loan obligations being restructured, repaid and/or converted into Tethys ordinary shares during the period. Net debt has reduced from $39.5 million at December 31, 2019 to $5.0 million at September 30, 2020.

Financial Review

In addition, 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 were 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.* Bet

Further, the Company's cash flow has benefitted in the period from oil sales of $2.5 million during the testing of the KBD-02 exploration well which has produced over 4,000 barrels of oil per day and over 200,000 barrels of oil.

Nevertheless, the Company may not have sufficient funding to fund its obligations for the next twelve months and may 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:

- Complete testing of the newly drilled KBD-02 ("Klymene") 2,750m exploration well, obtain the necessary approvals and move from the testing phase to commercial oil production;

- Drill new oil & gas wells to increase production levels and revenues;and

- Secure funding required to meet capital expenditure plans to the extent that these cannot be funded from existing cash generation.

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.

Financial Review

Cash Flow

	Quarter ended September 30			Nine months ended September 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Net cash from operating activities	**6,887**	**2,030**	**239%**	**14,396**	**4,409**	**227%**
Capital expenditure (net of revenue receipts)	1,219	(2,502)	(149%)	1,018	(3,816)	(127%)
Net changes in working capital	(107)	(1,066)	(90%)	(1,115)	(1,970)	(43%)
Other movements	8	(72)	(111%)	(10)	(71)	(86%)
Net cash from/(used in) investing activities	**1,120**	**(3,640)**	**(131%)**	**(107)**	**(5,857)**	**(98%)**
Proceeds of new borrowings	-	-	-	4,800	-	-
Repayment of borrowings	(4,000)	-	-	(11,690)	-	-
DSFK settlement	-	-	-	(3,424)	-	-
Net cash used in financing activities	**(4,000)**	**-**	**-**	**(10,314)**	**-**	**-**
Effect of exchange rates	(82)	(24)	242%	(94)	356	(126%)
Net increase/(decrease) in cash	**3,925**	**(1,634)**	**(340%)**	**3,881**	**(1,092)**	**(455%)**
Cash & cash equivalents at beginning of period	650	4,002	(84%)	694	3,460	(80%)
Cash & cash equivalents at end of period	**4,575**	**2,368**	**93%**	**4,575**	**2,368**	**93%**

Operating activities

Net cash from operating activities in the current quarter was higher due to the receipt prepayments received from the Company's gas customer of $7.6 million for the quarter and $15.3 million for the year to date. The Company continue to invoice the customer monthly and the gas price is determined in the normal way until the prepayment has been fully earned.

Investing activities

During the nine month period $2.5 million was paid for KBD-02 drilling costs and seismic acquisition in the Kul-bas contract area and $1.3 million for gas capex which is mainly well drilling costs. These amounts have been offset by $2.5m of oil sales ($2.3 million for Q3 2020) from test production of the KBD-02 well. In accordance with the Company's accounting policy and industry practice, amounts received and incurred in relation to test production are offset against capitalised exploration & evaluation expenditure. Prior year to amounts include $4.3 million of gas capex, $2.0 million of KBD-02 drilling costs and $1.1 million for seismic acquisition.

Financing activities

A $4 million repayment was made during the quarter to the holder of the loan originally made to AGR Energy Limited No 1. For the year to date a further $7.7 million was paid to settle in full the loan due to Khan Energy. The settlement payment to DSFK in the amount of KZT 1.4 billion ($3.4 million) was paid during the period, refer page 6 above.

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 September 30, 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.

Financial Review

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 loss for the period is as follows:

	Quarter ended September 30			Nine months ended September 30		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Loss before taxation	(449)	(716)	(37%)	(4,270)	(1,342)	218%
Depreciation, depletion and amortization	1,229	1,195	3%	3,484	3,736	(7%)
Impairment charges	-	-		15,280	-	-
Other gains and losses	-	-		(12,261)	(193)	6253%
Finance costs - net	440	1,461	(70%)	2,320	4,636	(50%)
Adjusted EBITDA	**1,220**	**1,940**	**(37%)**	**4,553**	**6,837**	**(33%)**

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 September 30		
	2020	**2019**	**Change**
Total financial liabilities - borrowings	9,572	38,459	(75%)
Less: cash and cash equivalents	(4,575)	(2,368)	293%
Net debt	**4,997**	**36,091**	**(86%)**
Total equity	57,398	54,970	4%
Total capital	**62,395**	**91,061**	**(31%)**

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 September 30, 2020 the Company had authorised share capital of 145,000,000 (September 30, 2019: 145,000,000) ordinary shares of which 104,955,999 (September 30, 2019: 68,324,430) had been issued and 50,000,000 (September 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.

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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 September 30, 2020 was 1,128,438 (September 30, 2019: 1,362,188) and the number of warrants outstanding was nil (September 30, 2019: 14,422,500). Loan facilities were in place which were convertible into a total of up to 17,437,353 (September 30, 2019: 18,361,606) ordinary shares.

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	9,572	2,000	7,572	-	-
Kazakhstan work programme commitments	36,853	10,809	11,376	7,522	7,146
Trade and other payables	5,193	5,193	-	-	-
Provisions	1,765	-	542	-	1,223
Total contractual obligations	**53,383**	**18,002**	**19,490**	**7,522**	**8,369**

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 2020-2021 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 $2.3 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 4,000 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 $1.5 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
KBD	Kul-bas Deep exploration well in the Kul-bas Exploration Contract area
Klymene	Exploration prospect 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