Tethys Petroleum Limited

Interim Financial Information
(Unaudited)
September 30, 2011

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

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

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

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

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

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

- the interim report and accounts includes a fair review of the information required by DTR4.3 Interim management statements

For and on behalf of the Board

Dr D. Robson	***B. Murphy***
Chief Executive Officer	Chief Financial Officer
November 14, 2011	November 14, 2011

Tethys Petroleum Limited

Condensed Consolidated Statement of Financial Position
(Unaudited)
(in US Dollars)

	Note	As at September 30, 2011 $'000	December 31, 2010 $'000
Non-current assets			
Property, plant and equipment	7	133,256	115,653
Intangible assets	8	25,445	16,892
Investments		1,057	1,015
Prepayments and other receivables		14,303	12,320
Loan receivable from jointly controlled entity	9	54,790	35,460
		228,851	181,340
Current assets			
Inventories		2,644	2,121
Trade and other receivables		4,341	3,680
Cash and cash equivalents		17,016	79,135
Restricted cash	10	1,409	-
Derivative financial instruments – interest rate swap		805	1,472
		26,215	86,408
Total assets		255,066	267,748
Equity attributable to shareholders			
Share capital	12	26,063	26,063
Share premium	12	297,222	297,222
Other reserves		37,753	34,261
Accumulated deficit		(135,589)	(118,023)
Total equity		225,449	239,523
Non-current liabilities			
Deferred gain on sale of assets to jointly controlled entity		3,699	3,699
Financial liabilities - borrowings	11	-	2,853
Deferred taxation	5	3,773	4,070
Trade and other payables		592	721
Asset retirement obligations		231	192
		8,295	11,535
Current liabilities			
Financial liabilities - borrowings	11	8,039	5,047
Derivative financial instruments - warrants		1	405
Derivative financial instruments - forex hedge		291	-
Deferred revenue		2,395	2,450
Trade and other payables		10,596	8,788
		21,322	16,690
Total liabilities		29,617	28,225
Total shareholders' equity and liabilities		255,066	267,748
Commitments and contingencies	15		

The notes on pages 6 to 22 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on November 14, 2011 and were signed on its behalf.

Dr. D. Robson Director ***B. Murphy*** Director

Tethys Petroleum Limited

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)
For the three and the nine months ended September 30, 2011
(in US Dollars)

	Note	For the 3 months ended September 30, 2011	2010 (re-presented)	For the 9 months ended September 30, 2011	2010 (re-presented)
	2	**$'000**	**$'000**	**$'000**	**$'000**
Sales and other revenues		6,849	3,173	15,506	11,319
Other operating income	9	922	-	6,628	-
Total revenue and other income		7,771	3,173	22,134	11,319
Production expenses		(3,393)	(1,236)	(6,918)	(4,111)
Depreciation, depletion and amortisation		(3,857)	(1,635)	(9,684)	(3,685)
Exploration and evaluation expenditure written off		(1,807)	(5)	(1,807)	(94)
Listing expenses	1	(273)	(31)	(606)	(1,230)
Business development expenses	2	(697)	-	(1,926)	-
Administrative expenses		(4,859)	(4,621)	(15,520)	(13,175)
Share based payments	2,4	(1,054)	(744)	(3,111)	(3,596)
Foreign exchange gain /(loss) – net		(183)	(184)	33	(337)
Fair value gain (loss) on derivative financial instrument		(231)	(738)	(554)	(266)
Loss from jointly controlled entity	9	(291)	(178)	(802)	(422)
Finance (costs) / income - net		194	308	912	(89)
Loss before taxation		**(8,680)**	**(5,891)**	**(17,849)**	**(15,686)**
Taxation	5	105	(1,227)	283	(2,753)
Net loss and comprehensive loss for the period attributable to shareholders		**(8,575)**	**(7,118)**	**(17,566)**	**(18,439)**
Loss per share attributable to shareholders					
Basic and diluted	6	(0.03)	(0.04)	(0.07)	(0.10)

No dividends were paid or are declared for the period (2010 – $Nil).

The notes on pages 6 to 22 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the three and the nine months ended September 30, 2011

(in US Dollars)

		Attributable to shareholders					
	Note	**Share capital $'000**	**Share premium $'000**	**Accumulated deficit $'000**	**Option reserves $'000**	**Warrant reserves $'000**	**Total equity $'000**
Balance at January 1, 2010		13,455	153,748	(88,374)	11,220	16,555	106,604
Comprehensive loss for the period		-	-	(18,439)	-	-	(18,439)
Transactions with shareholders							
Issue of share capital		5,262	54,947	-	-	-	60,209
Cost of share issue		-	(2,206)	-	-	-	(2,206)
Share-based payments		-	-	-	4,096	-	4,096
Exercise of options		20	168	-	(60)	-	128
Exercise of warrants		60	574	-	-	-	634
Total transactions with shareholders		5,342	53,483	-	4,036	-	62,861
Balance at September 30, 2010		**18,797**	**207,231**	**(106,813)**	**15,256**	**16,555**	**151,026**
Comprehensive loss for the period		-	-	(11,210)	-	-	(11,210)
Transactions with shareholders							
Issue of share capital		7,060	92,833	-	-	-	99,893
Cost of share issue		-	(6,068)	-	-	-	(6,068)
Share-based payments		-	-	-	2,489	-	2,489
Exercise of options		16	119	-	(39)	-	96
Exercise of warrants		190	3,107	-	-	-	3,297
Total transactions with shareholders		7,266	89,991	-	2,450	-	99,707
Balance at December 31, 2010		**26,063**	**297,222**	**(118,023)**	**17,706**	**16,555**	**239,523**
Comprehensive loss for the period		-	-	(17,566)	-	-	(17,566)
Transactions with shareholders							
Share-based payments	4	-	-	-	3,492	-	3,492
Total transactions with shareholders		-	-	-	3,492	-	3,492
Balance at September 30, 2011		**26,063**	**297,222**	**(135,589)**	**21,198**	**16,555**	**225,449**

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

The notes on pages 6 to 22 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Statement of Cash Flows

(Unaudited)
For the three and the nine months ended September 30, 2011
(in US dollars)

	Note	For the 3 months ended September 30, 2011 $'000	For the 3 months ended September 30, 2010 $'000	For the 9 months ended September 30, 2011 $'000	For the 9 months ended September 30, 2010 $'000
Cash flow from operating activities					
Loss before taxation for the period		(8,680)	(5,891)	(17,849)	(15,686)
Adjustments for					
Share based payments		1,054	744	3,111	3,596
Net finance (income) / cost		(194)	(303)	(910)	80
Unsuccessful exploration and evaluation expenditure written off		1,807	-	1,807	-
Depreciation, depletion and amortization		3,857	1,635	9,684	3,685
Loss on disposal of assets		(16)	-	120	-
Payment of royalties		-	-	-	(78)
Fair value gain (loss) on derivative financial instrument		231	738	554	266
Listing expenses		-	-	-	351
Net unrealised foreign exchange loss / (gain)		(70)	(13)	(22)	(12)
Loss from jointly controlled entity		291	178	802	422
Deferred revenue		1,721	689	(55)	(674)
Other operating income		(922)	-	(6,628)	-
Net change in non-cash working capital	14	(1,252)	3,233	(483)	(411)
Net cash (used) / generated from operating activities		(2,173)	1,010	(9,869)	(8,461)
Cash flow from investing activities					
Interest received		36	20	112	45
Expenditure on exploration and evaluation assets		(3,335)	(11,440)	(9,624)	(18,515)
Expenditures on property, plant and equipment		(7,813)	(418)	(27,210)	(4,694)
Investment in restricted cash		2,100	(84)	(1,451)	(111)
Payments made on behalf of jointly controlled entity		(5,071)	(3,079)	(12,435)	(10,248)
Movement in advances to construction contractors		1,304	1,452	1,187	(1,748)
Value added tax receivable		(980)	(1,600)	(3,133)	(2,924)
Net change in non-cash working capital	14	726	(2,659)	1,080	(1,927)
Net cash (used) / generated from investing activities		(13,033)	(17,808)	(51,474)	(40,122)
Cash flow from financing activities					
Proceeds from issuance of long term borrowings		-	-	-	1,840
Repayment of long-term borrowings		(93)	(371)	(269)	(1,076)
Interest paid on long-term borrowings and other non-current payables		(69)	(364)	(266)	(739)
Other non-current liabilities		(76)	(75)	(227)	(220)
Proceeds from issuance of equity, net of issue costs		-	306	-	54,440
Net cash (used) / generated from financing activities		(238)	(504)	(762)	54,245
Effects of exchange rate changes on cash and cash equivalents		114	(13)	(14)	(42)
Net (decrease) / increase in cash and cash equivalents		(15,330)	(17,315)	(62,119)	5,620
Cash and cash equivalents at beginning of the period		32,346	30,232	79,135	7,297
Cash and cash equivalents at end of the period		17,016	12,917	17,016	12,917

The notes on pages 6 to 22 form part of these condensed consolidated interim financial statements.

1 General information

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

The Company has its primary listing on the Toronto Stock Exchange (TSX) and a secondary listing on the Kazakhstan Stock Exchange (KASE) in Almaty. On July 25, 2011 the Company was admitted to the London Stock Exchange with respect to a Standard Listing. Costs associated with the Standard Listing are disclosed as listing expenses in the consolidated statement of comprehensive income.

2 Basis of preparation and accounting policies

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority ('FSA') in the United Kingdom as applicable to interim financial reporting and do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements reported for the year ended December 31, 2010.

The Company is aware that if it is to meet its short term targets over the coming few months then it will require a higher level of cash input than has been received to date. In addition balloon payments of $0.7 million on the Tykhe rig loan are due for settlement in December and loans associated with the Uzbekistan NU116 well, drilled in late 2009, are due for settlement with $4.1 million due in January and $3.4 million in February 2012.When the rail terminal at Shalkar has been completed then the associated increase in production levels to 4,000 bopd and increased oil sales will generate sufficient levels of cash. While management is confident that this increased production will commence on December 1, 2011 this may not be the case and could be subject to unforeseen delays. In the absence of any other action a delay of one month would mean that the Company could have a problem in settling the loans as scheduled. The Company intends to resolve this situation through the placement of appropriate debt arrangements and a rollover of some or all of the existing debt.

Amongst the forms of debt facility being actively pursued is one that the Company has made use of previously and that is in the form of a loan secured against company owned drilling equipment. Another type of arrangement being considered is in the form of a credit line from a bank but even though the Company has received indicative terms from the bank with regard to a line of credit it is anticipated that it will take several months to complete. With regard to the drilling equipment loan the Company is looking to raise a sum equivalent to cover two months delay of the increased oil production and it is anticipated that this should be completed and in place by the end of November.

With regard to longer term requirements the Company regularly considers farm-out/farm-in and joint venture opportunities as a means of developing its business and sharing financial and/or commercial risks. As at the date of this report the Company is in discussions with several parties with regard to a potential farm in and/or joint ventures.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts doubt upon the Company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

From 1 January 2011 the Company started to present business development expenses and share-based payments separately in the condensed consolidated statement of comprehensive income. The comparative information has been re-presented to conform to the current presentation. The management of the Group believes that due to the nature of business development costs which are incurred in Afghanistan and Uzbekistan this presentation provides more relevant and meaningful information about the financial performance of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2010 except for:

New and amended accounting standards

- IFRS 7 – Financial Instruments – amendments to disclosures requiring an implicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate the Company's exposure to risks arising from financial instruments. This amendment will not result in a material impact on the Company's financial statements.

- Amendments to IAS 34 have been adopted in these Condensed Consolidated Interim Financial Statements. These amendments have not resulted in a material impact on the Company's financial statements.

No other accounting standards are considered to have an impact on the Company's financial statements.

3 Segmental Reporting

Geographical segments

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

The executive directors consider the business from predominantly a geographic perspective and the Company currently operates in three geographical markets: Kazakhstan, Tajikistan and Uzbekistan.

In Kazakhstan, the Company is producing gas from the Kyzyloi and Akkulka fields and is undertaking exploration and evaluation activity in the Kulbas fields. In addition the Company is producing oil from the Akkulka field. In Tajikistan, the Company is currently undertaking exploration and evaluation activity and in Uzbekistan, the Company operates under the North Urtabulak Production Enhancement Contract, which gives incremental production rights to increase the production volume of oil from wells on the North Urtabulak Oil Field.

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

The segment results for the nine months ended September 30, 2011 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	5,386	-	5,386
Gas sales	5,227	-	-	-	5,227
Oil sales	4,503	-	-	-	4,503
Other income	195	-	195	-	390
Other operating income	-	-	-	11,904	11,904
Segment revenue and other income	**9,925**	**-**	**5,581**	**11,904**	**27,410**
Inter-segment revenue	-	-	-	(5,276)	(5,276)
Segment revenue and other income from external customers	**9,925**	**-**	**5,581**	**6,628**	**22,134**
Loss from jointly controlled entity	-	(802)	-	-	(802)
(Loss)/ profit before taxation	**(7,461)**	**(163)**	**801**	**(11,026)**	**(17,849)**
Taxation	846	-	(563)	-	283
Net (loss)/profit attributable to shareholders	**(6,615)**	**(163)**	**238**	**(11,026)**	**(17,566)**

Borrowing costs of $713,008 were capitalised in the Kazakh segment during the period. Amortisation of $491,834 of assets held in the Corporate segment were also capitalised in the Kazakh segment during the period.

The segment results for the nine months ended September 30, 2010 are as follows:

	Kazakhstan $'000	**Tajikistan $'000**	**Uzbekistan $'000**	**Other and Corporate $'000**	**Interim consolidated $'000**
Refined product sales	-	-	9,220	-	9,220
Gas sales	1,785	-	-	-	1,785
Other income	3,096	-	-	392	3,488
Segment revenue and other income	**4,881**	**-**	**9,220**	**392**	**14,493**
Inter-segment revenue	(2,782)	-	-	(392)	(3,174)
Segment revenue and other income from external customers	**2,099**	**-**	**9,220**	**-**	**11,319**
Loss from jointly controlled entity	-	(422)	-	-	(422)
(Loss)/ profit before taxation	**156**	**(624)**	**3,461**	**(18,679)**	**(15,686)**
Taxation	(2,134)	-	(611)	(8)	(2,753)
Net (loss)/profit attributable to shareholders	**(1,978)**	**(624)**	**2,850**	**(18,687)**	**(18,439)**

Borrowing costs of $1,383,150 were capitalised in the Kazakh segment during the period. Amortisation of $326,529 of assets held in the Corporate segment were also capitalised in the Kazakh segment during the period.

The segment results for the three months ended September 30, 2011 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	2,018	-	2,018
Gas sales	1,873	-	-	-	1,873
Oil sales	2,895	-	-	-	2,895
Other income	63	-	-	-	63
Other operating income	-	-	-	1,731	1,731
Segment revenue and other income	**4,831**	**-**	**2,018**	**1,731**	**8,580**
Inter-segment revenue	-	-	-	(809)	(809)
Segment revenue and other income from external customers	**4,831**	**-**	**2,018**	**922**	**7,771**
Loss from jointly controlled entity	-	(291)	-	-	(291)
(Loss)/ profit before taxation	**(2,738)**	**(204)**	**(37)**	**(5,701)**	**(8,680)**
Taxation	137	-	(32)	-	(105)
Net (loss)/profit attributable to shareholders	**(2,601)**	**(204)**	**(69)**	**(5,701)**	**(8,575)**

Borrowing costs of $231,467 were capitalised in the Kazakh segment during the period. Amortisation of $187,754 of assets held in the Corporate segment were also capitalised in the Kazakh segment during the period.

The segment results for the three months ended September 30, 2010 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	1,550	-	1,550
Gas sales	1,433	-	-	-	1,433
Other income	2,971	-	-	129	3,100
Segment revenue and other income	**4,404**	**-**	**1,550**	**129**	**6,083**
Inter-segment revenue	(2,782)	-	-	(129)	(2,911)
Segment revenue and other income from external customers	**1,622**	**-**	**1,550**	**-**	**3,172**
Loss from jointly controlled entity	-	(178)	-	-	(178)
(Loss)/ profit before taxation	**2,137**	**(242)**	**121**	**(7,907)**	**(5,891)**
Taxation	(1,181)	-	(38)	(8)	(1,227)
Net (loss)/profit attributable to shareholders	**956**	**(242)**	**83**	**(7,915)**	**(7,118)**

Borrowing costs of $764,576 were capitalised in the Kazakh segment during the period. Amortisation of $74,324 of assets held in the Corporate segment were also capitalised in the Kazakh segment during the period.

The segment assets at September 30, 2011 and capital expenditures for the period then ended are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Total assets	145,405	54,985	17,020	37,656	255,066
Cash expenditure to exploration & evaluation assets, property, plant and equipment	33,018	-	3,605	211	36,834

The segment assets attributable to the Tajikistan segment consist mainly of the loan receivable from the Joint Venture. The segment assets attributable to the Uzbekistan segment consist mainly of well costs related to the North Urtabulak field.

The other and corporate segment assets consist mainly of oil and gas equipment such as drilling rigs and related equipment and cash and cash equivalents. The other and corporate segment liabilities consist mainly of the loans obtained to finance the purchase of two drilling rigs.

The segment assets at December 31, 2010 and capital expenditures for the period then ended 30 September, 2010 are as follows:

	Kazakhstan	**Tajikistan**	**Uzbekistan**	**Other and Corporate**	**Interim consolidated**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Total assets	117,144	35,683	14,203	100,718	267,748
Cash expenditure to exploration & evaluation assets, property, plant and equipment	19,264	1	3,634	310	23,209

The segment assets attributable to the Tajikistan segment consist mainly of the loan receivable from the Joint Venture. The segment assets attributable to the Uzbekistan segment consist mainly of well costs related to the North Urtabulak field.

The other and corporate segment assets consist mainly of oil and gas equipment such as drilling rigs and related equipment and cash and cash equivalents. The other and corporate segment liabilities consist mainly of the loans obtained to finance the purchase of two drilling rigs.

4 Share-based payments

Share options

Full details of the share options and stock incentive plan are outlined in the Company's annual consolidated financial statements for the year ended December 31, 2010. The options under the plan vest in three tranches with one third vesting immediately, one third after 12 months and one third after 24 months. These options are equity settled share based payment transactions.

The following tables summarize the stock option activity under the 2007 Long Term Stock Incentive Plan.

	Number of options	**Weighted average exercise price**
		$
Outstanding at January 1, 2011	22,263,000	1.65
Granted	6,600,000	0.78
Forfeited	(40,000)	1.56
Exercised	-	n/a
Expired	(20,000)	1.56
Outstanding at September 30, 2011	28,803,000	1.45
Exercisable at September 30, 2011	19,361,000	1.59

	Number of options	**Weighted average exercise price**
		$
Outstanding at January 1, 2010	11,706,000	1.75
Granted	6,990,000	1.46
Forfeited	(80,000)	0.65
Exercised	(200,000)	0.64
Expired	(103,000)	1.02
Outstanding at September 30, 2010	18,313,000	1.66
Exercisable at September 30, 2010	11,898,000	1.89

A charge for the value of services of $3,492,141 (2010 - $4,096,059) was recorded for the period.

Warrants

The following tables summarize the warrant activity for the period ended September 30, 2011 and September 30, 2010.

	Number of warrants	**Weighted average exercise price $**
Outstanding at January 1, 2011	10,283,455	4.48
Granted	-	n/a
Forfeited	-	n/a
Exercised	-	n/a
Expired	(4,396,989)	4.17
Outstanding at September 30, 2011	5,886,466	4.71
Exercisable at September 30, 2011	5,886,466	4.71
Outstanding at January 1, 2010	12,783,455	3.73
Granted	-	n/a
Forfeited	-	n/a
Exercised	(600,000)	0.60
Expired	-	n/a
Outstanding at September 30, 2010	12,183,455	3.88
Exercisable at September 30, 2010	12,183,455	3.88

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

5 Taxation

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

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

	September 30, 2011 $'000	**December 31, 2010 $'000**
Capital Assets	4,627	5,107
Tax losses	(923)	(1,048)
Other	69	11
	3,773	4,070

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

	September 30, 2011 $'000	September 30, 2010 $'000
Loss before income taxes	(17,849)	(15,686)
Income tax rate	20%	20%
Expected income tax (recovery)	(3,570)	(3,137)
Increase / (decrease) resulting from:		
Non-deductible expenses	177	(82)
Impact of effective tax rates in other foreign jurisdictions	3,963	2,084
Losses and tax assets not utilised/recognised	(853)	3,820
Other	-	68
	(283)	2,753
Current income tax expense	11	31
Deferred tax (recovery) / expense	(294)	2,722
	(283)	2,753

6 Loss per share

Basic and diluted loss per share

	Loss for the period $'000	Weighted average number of shares (thousands)	Per share amount $
Nine months ended September 30, 2011			
Loss attributable to ordinary shareholders – Basic and diluted	(17,566)	260,630	(0.07)
Three months ended September 30, 2011			
Loss attributable to ordinary shareholders – Basic and diluted	(8,575)	260,630	(0.03)
Nine months ended September 30, 2010			
Loss attributable to ordinary shareholders – Basic and diluted	(18,439)	179,652	(0.10)
Three months ended September 30, 2010			
Loss attributable to ordinary shareholders – Basic and diluted	(7,118)	187,618	(0.04)

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

7 Property, plant and equipment

	Oil and gas properties $'000	Oil and gas equipment $'000	Vehicles $'000	Office and computer equipment $'000	Total $'000
At December 31, 2010					
Cost	101,349	25,171	1,780	1,801	130,101
Accumulated depreciation	(10,423)	(3,048)	(532)	(445)	(14,448)
Net book amount	90,926	22,123	1,248	1,356	115,653
Period ended September 30, 2011					
Opening net book amount	90,926	22,123	1,248	1,356	115,653
Additions	27,094	177	664	285	28,220
Disposals	-	-	(137)	(218)	(355)
Depreciation charge	(7,161)	(2,351)	(682)	(303)	(10,497)
Accumulated depreciation on disposal	-	-	106	129	235
Closing net book amount	110,859	19,949	1,199	1,249	133,256
At September 30, 2011					
Cost	128,443	25,348	2,307	1,868	157,966
Accumulated depreciation	(17,584)	(5,399)	(1,108)	(619)	(24,710)
Net book amount	110,859	19,949	1,199	1,249	133,256
Assets under construction at net book amount included in above:					
At September 30, 2011	46,944	-	-	-	46,944
At December 31, 2010	26,612	-	-	-	26,612

8 Intangible assets

	Other intangible asset $'000	Exploration and evaluation assets $'000	Total $'000
At December 31, 2010			
Cost	5,553	12,332	17,885
Accumulated amortisation and impairment	(993)	-	(993)
Net book amount	4,560	12,332	16,892
Period ended September 30, 2011			
Opening net book amount	4,560	12,332	16,892
Additions	-	10,594	10,594
Amortisation / impairment charge	(234)	(1,807)	(2,041)
Closing net book amount	4,326	21,119	25,445
At September 30, 2011			
Cost	5,553	22,926	28,479
Accumulated amortisation and impairment	(1,227)	(1,807)	(3,034)
Net book amount	4,326	21,119	25,445

Other intangible assets consist of the fair value of the acquired assets relating to the Production Enhancement Contract (PEC) for the North Urtabulak field. Amortisation is calculated using a unit-of-production basis over the estimated incremental production entitlement expected to be received over the life of the contract.

9 Loan receivable from jointly controlled entity

The loan receivable from the jointly controlled entity, Seven Stars Energy Corporation, is net of the 51% share of loss of the joint venture as calculated using the equity method of accounting:

	September 30, 2011 $'000	December 31, 2010 $'000
Balance, beginning of year	35,460	21,727
Share of loss	(802)	(634)
Finance income on loan receivable	914	-
Movement in deferred gain	-	40
Increase in loan to jointly controlled entity	19,218	14,327
Balance, end of period / year	54,790	35,460

During 2010 and the first half of 2011, a drilling rig together with associated equipment, all owned by the group, was rented to a subsidiary of the jointly controlled entity SSEC on commercial terms. In accordance with the shareholders agreement, the amounts receivable in respect of the rental are to be added to the loan due from that entity. When preparing the 2010 annual financial statements and the interim financial statements for Q1 2011 these amounts were eliminated in full rather than proportionate to the group's equity accounted interest, and no income was recognised. Following the recent progress made on the EOL09 well as set out in more detail on page 8 of the Management's Discussion and Analysis document the directors have reconsidered this matter and considered it appropriate that the income now be included. Accordingly, other operating income for the 9 months ended 30 September 2011 includes $6,627,900 in respect of these transactions, of which $3,835,320 relates to the year ended 31 December 2010. The invoices have not been settled and there is consequently no impact on the Company's cash flows. There is also no impact on tax expense as a result of this income being recognised.

In addition, the Directors have given similar consideration to the position of interest on the loan to jointly controlled entity SSEC with the result that cumulative interest income of $914,177 on the loan of $54,790,317 as at 30 September 2011 has been recognised for the period to 30 September 2011. Of this amount, $420,489 relates to the year ended 31 December 2010. This change also has no effect on tax expense or cash flows.

10 Restricted cash

Restricted cash consists of monies placed on temporary deposit as security against a forex hedge.

11 Financial liabilities – borrowings

	Effective interest rate %	Maturity date	September 30, 2011 $'000	December 31, 2010 $'000
Current				
Short-term portion of long-term loans	19 – 23 p.a.	2011 / 2012	8,039	5,047
Non-current				
Long-term loans	19 – 23 p.a.	2012	-	2,853
			8,039	7,900

	$'000
Balance at January 1, 2011	7,900
Movement in exchange	5
Principal repayments	(269)
Amortisation of debt discount during the period	403
Balance at September 30, 2011	8,039

Details of the loans are disclosed in Note 18 of the annual consolidated financial statements at December 31, 2010.

12 Share capital

	September 30, 2011 Number	December 31, 2010 Number
Authorized		
Ordinary shares with a par value of $0.10 each	700,000,000	700,000,000
Preference shares with a par value of $0.10 each	50,000,000	50,000,000

Ordinary equity share capital Allotted and fully paid	Number	Share capital $'000	Share premium $'000
At January 1, 2010	134,554,769	13,455	153,748
Issued during the period in connection with the exercise of share options	360,000	36	287
Issued during the in connection with the exercise of warrants	2,500,000	250	2,711
Issued during the period for cash	123,215,000	12,322	140,476
At December 31, 2010 and at September 30, 2011	260,629,769	26,063	297,222

13 Related party transactions

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

Vazon Energy Limited

Vazon Energy Limited ("Vazon") is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, Chief Executive Officer, is the sole owner and managing director. Tethys has a management services contract with Vazon that came into effect from June 27, 2007 whereby the services of Dr. Robson and other Vazon employees are provided to the Company. The total cost charged to Tethys for services from Vazon in the period ended September 30, 2011 was $2,352,118 (September 30, 2010 – $1,799,557).

Oilfield Production Consultants

Oilfield Production Consultants (OPC) Limited and Oilfield Production Consultants (OPC) USA LLC, both of which have one common director with the Company, has charged Tethys a monthly retainer fee for engineering expertise, provided services relating to compression optimization and has consulted on certain reservoir modelling work on projects in Tajikistan and Uzbekistan. Total fees for the period ended September 30, 2011 were $11,422 (September 30, 2010 – $182,470).

14 Changes in working capital

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other receivables	(367)	(593)	(661)	(1,247)
Inventories	584	(977)	(523)	(959)
Trade and other payables	(395)	1,744	1,808	(78)
Change in non-cash working capital	(178)	174	624	(2,284)
Non-cash transactions	(348)	400	(27)	(54)
Net changes in non-cash working capital	(526)	574	597	(2,338)

Net changes in non-cash working capital are categorized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Operating activities	(1,252)	3,233	(483)	(411)
Investing activities	726	(2,659)	1,080	(1,927)
Balance	(526)	574	597	(2,338)

15 Commitments and contingencies

Kazakhstan

Kyzyloi Field and the Kyzyloi Field Licence and Production Contract

The Kyzyloi Field Licence and Production Contract grants TAG exploration and production rights over an area of approximately 70,967 acres (287.2 km^2) and extends down to the base of the Paleogene sequence. With respect to 2011, a work program amounting to $273,000 has been agreed, which has been fulfilled through payments amounting to $2,232,397 during the 9 months ended September 30, 2011.

Akkulka Exploration Licence and Contract

The Akkulka Exploration Licence and Contract was entered into between the Kazakh State Committee of Investments and TAG on September 17, 1998. On November 19, 2010, the Ministry of Oil and Gas approved an extension to the exploration period until March 10, 2013. With respect to 2011, a work program amounting to $3,210,000 has been agreed, which has been fulfilled through payments amounting to $22,104,589 during the 9 months ended September 30, 2011.

Akkulka Production Contract

On December 23, 2009, TAG and MEMR signed the Akkulka Production Contract giving TAG exclusive rights to produce gas from the Akkulka Block for a period of nine years. Contingent upon commencement of commercial production on the Akkulka contractual territory, an amount of US$2,698,531 will be due to the Kazakhstan Government as a reimbursement of historical costs previously incurred by the Government in relation to the contractual territory, payable upon signature of the Akkulka oil production contract.

Kul-Bas Exploration and Production Contract

The Kazakhstan Government is to be compensated for the historical costs related to the contractual territory in the amount of US$3,275,780. The Company has previously paid an amount of $49,137 in relation to this balance. If and when commercial production commences, $88,666 is due in quarterly instalments until the remaining historical costs of $3,226,643 has been paid in full. With respect to 2011, a work program amounting to $120,000 has been agreed, which has been fulfilled through payments amounting to $7,560,000 during the 9 months ended September 30, 2011.

Joint Venture

On February 16, 2011 a wholly owned subsidiary of the Company entered into a joint venture agreement to construct and operate a rail oil loading terminal in Kazakhstan. Under the terms of the agreement, the Company has an obligation to provide funding to the Joint Venture amounting to not less than $3,000,000. To date no funds have been advanced although the Company's share of budgeted spend has been agreed at $4,933,054.

Tajikistan

Joint Venture

An agreement has been entered into with respect to an airborne high-resolution geophysical survey over the Bokhtar licence in Tajikistan. The estimated value of the contract has been agreed at $3,642,449, of which $3,384,334 has been invoiced to date, leaving a commitment of $359,700, of which the company's share is $183,447 [51%].

Operating leases

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

	Total $'000	Less than 1 year $'000	1 – 3 years $'000
Operating leases	1,373	913	460

16 Subsequent events

There have been no events following the reporting date which would have a material impact on these financial statements.