Tethys Petroleum Limited

Interim Financial Information
(Unaudited)
March 31, 2012

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

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

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

CONTENTS

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

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

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

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

For and on behalf of the Board

Dr D. Robson	***B. Murphy***
Chief Executive Officer	Chief Financial Officer
May 15, 2012	May 15, 2012

Tethys Petroleum Limited

Condensed Consolidated Statement of Financial Position

(Unaudited)
(in US Dollars)

	Note	As at March 31, 2012 $'000	December 31, 2011 $'000
Non-current assets			
Property, plant and equipment	7	125,994	128,918
Intangible assets	8	100,914	99,959
Restricted cash		1,408	1,407
Prepayments and other receivables		9,793	10,217
Investment in jointly controlled entity		1,116	1,113
		239,225	241,614
Current assets			
Inventories		2,073	2,025
Trade and other receivables		5,844	5,478
Loan receivable from jointly controlled entity	9	2,000	2,013
Cash and cash equivalents		4,180	10,746
Restricted cash	10	623	885
Derivative financial instruments – interest rate swap		-	630
		14,720	21,777
Total assets		253,945	263,391
Equity attributable to shareholders			
Share capital	13	28,671	28,669
Share premium	13	306,725	306,725
Other reserves		39,172	38,530
Accumulated deficit		(151,710)	(144,962)
Non-controlling interest	18	8,818	8,918
Total equity		231,676	237,880
Non-current liabilities			
Financial liabilities - borrowings	11	2,819	1,632
Deferred taxation	5	2,107	2,111
Trade and other payables		500	547
Asset retirement obligations		230	386
		5,656	4,676
Current liabilities			
Financial liabilities - borrowings	11	6,025	8,396
Derivative financial instruments - warrants	12	1,348	264
Derivative financial instruments - foreign currency hedge		8	157
Deferred revenue		1,330	1,839
Trade and other payables		7,758	10,179
Current tax		144	-
		16,613	20,835
Total liabilities		22,269	25,511
Total shareholders' equity and liabilities		253,945	263,391
Commitments and contingencies	16		

The notes on pages 6 to 21 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 15, 2012 and were signed on its behalf.

Dr. D. Robson — Chief Executive

B. Murphy — Chief Financial Officer

Tethys Petroleum Limited

Condensed Consolidated Statement of Comprehensive Income
(Unaudited)
For the three months ended March 31, 2012
(in US Dollars)

	Note	2012 $'000	2011 $'000 re-presented
Sales and other revenues		6,487	4,480
Total revenue and other income		6,487	4,480
Production expenses		(2,910)	(1,752)
Depreciation, depletion and amortisation		(3,036)	(2,612)
Listing expenses		-	(6)
Business development expenses		(184)	(20)
Administrative expenses		(4,986)	(5,271)
Share based payments	4	(603)	(1,193)
Foreign exchange (loss)/gain– net		(64)	200
Fair value loss on derivative financial instrument		(896)	(8)
Loss from jointly controlled entity		(62)	(209)
Net finance costs		(454)	(7)
Loss before taxation		**(6,708)**	**(6,398)**
Taxation	5	(140)	103
Loss for the period		**(6,848)**	**(6,295)**
Loss attributable to:			
Shareholders		(6,748)	(6,295)
Non-controlling interest		(100)	-
Loss for the period		**(6,848)**	**(6,295)**
Basic and diluted	6	(0.02)	(0.02)

No dividends were paid or declared for the period (2011 – $Nil).

The notes on pages 6 to 21 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Statement of Changes in Equity
(Unaudited)
For the three months ended March 31, 2012
(in US Dollars)

		Attributable to shareholders						
		Share capital	**Share premium**	**Accumulated deficit**	**Option reserves**	**Warrant reserves**	**Non-controlling interest**	**Total equity**
	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at January 1, 2011		26,063	297,222	(118,023)	17,706	16,555	-	239,523
Comprehensive loss for the period		-	-	(6,295)	-	-	-	(6,295)
Transactions with shareholders								
Share-based payments		-	-	-	1,294	-	-	1,294
Total transactions with shareholders		-	-	-	1,294	-	-	1,294
Balance at March 31, 2011		**26,063**	**297,222**	**(124,318)**	**19,000**	**16,555**	**-**	**234,522**
Comprehensive loss for the period		-	-	(20,644)	-	-	(50)	(20,694)
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	8,968	8,968
Transactions with shareholders								
Issue of share capital		2,606	10,396	-	-	-	-	13,002
Cost of share issue		-	(893)	-	-	-	-	(893)
Share-based payments		-	-	-	2,975	-	-	2,975
Total transactions with shareholders		2,606	9,503	-	2,975	-	-	15,084
Balance at December 31, 2011		**28,669**	**306,725**	**(144,962)**	**21,975**	**16,555**	**8,918**	**237,880**
Comprehensive loss for the period		-	-	(6,748)	-	-	(100)	(6,848)
Transactions with shareholders								
Cost of share issue		-	(11)	-	-	-	-	(11)
Share-based payments		-	-	-	634	-	-	634
Issue of warrants		-	-	-	-	12	-	12
Exercise of options		2	11	-	(4)	-	-	9
Total transactions with shareholders		2	-	-	630	12	-	644
Balance at March 31, 2012		**28,671**	**306,725**	**(151,710)**	**22,605**	**16,567**	**8,818**	**231,676**

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 21 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Statement of Cash Flows
(Unaudited)
For the three months ended March 31, 2012
(in US dollars)

	Note	2012 $'000	2011 $'000
Cash flow from operating activities			
Loss before taxation for the period		(6,708)	(6,398)
Adjustments for			
Share based payments		603	1,193
Net finance cost		454	7
Depreciation, depletion and amortization		3,036	2,612
Fair value loss on derivative financial instrument		896	8
Net unrealised foreign exchange loss		35	43
Loss from jointly controlled entity		62	209
Deferred revenue		(509)	(2,422)
Net change in non-cash working capital	15	(1,562)	(322)
Net cash (used) from operating activities		(3,693)	(5,070)
Cash flow from investing activities			
Interest received		88	32
Expenditure on exploration and evaluation assets		(995)	(1,866)
Expenditures on property, plant and equipment		(214)	(8,986)
Investment in restricted cash		261	(2)
Investment in jointly controlled entity		(3)	-
Payments made on behalf of jointly controlled entity		-	(2,878)
Movement in advances to construction contractors		367	(1,827)
Value added tax receivable		57	(905)
Net change in non-cash working capital	15	(1,279)	(52)
Net cash (used) from investing activities		(1,718)	(16,484)
Cash flow from financing activities			
Proceeds from issuance of short-term borrowings, net of issue costs		3,520	-
Proceeds from issuance of long-term borrowings, net of issue costs		2,306	-
Repayment of long-term borrowings		(156)	(86)
Repayment of short-term borrowings		(6,459)	-
Interest paid on long-term borrowings and other non-current payables		(204)	(100)
Other non-current liabilities		(74)	(76)
Net cash (used) from financing activities		(1,067)	(262)
Effects of exchange rate changes on cash and cash equivalents		(88)	81
Net decrease in cash and cash equivalents		(6,566)	(21,735)
Cash and cash equivalents at beginning of the period		10,746	79,135
Cash and cash equivalents at end of the period		4,180	57,400

The notes on pages 6 to 21 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.

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, 2011.

Changes in presentation

From 1 January 2011, the Company started to present business development expenses and share-based payments separately in the consolidated statement of comprehensive income. The comparative information has been reclassified to conform to the current presentation. Business development expenses are costs associated with identifying new business opportunities for the Company either within countries in which the Company is currently operating, or in new countries. Consequently, management believes that due to the nature of these costs, which were incurred in Afghanistan and Uzbekistan in 2011, this presentation provides more relevant and meaningful information about the financial performance of the Company.

Going concern

The directors have considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the condensed consolidated interim financial statements, in concluding whether it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the quarter ended 31 March 2012. The Company's activities, together with the factors likely to affect its future development, performance and position are set out in this Management Discussion & Analysis document. The key issues impacting the cash flows of the Company are the increased oil production following the commissioning of the AOT rail terminal, completed in mid-April 2012, and receipt of a USD5 million debt facility from the Company's bankers in

Kazakhstan. The financial position of the Company, its cash flows and liquidity position are as set out in the Management Discussion & Analysis document on pages 13 to 16. The Company reports a loss for the three months ended March 31, 2012 of USD6.8 million (2011: USD6.3 million). As at April 30, 2012, the Company held cash of USD2.6 million.

Following the commissioning of the AOT rail terminal at Shalkar in mid-April the Company has already seen a significant increase in daily oil shipments. The Company believes that the increased oil sales resulting from the anticipated production levels of 4,000 – 6,000 bopd, will generate sufficient levels of cash to fund its ongoing activities and its current capital expenditure plans. Completion of this terminal was originally anticipated to be in the fourth quarter of 2011 but due to adverse weather this was delayed to mid-April 2012.

Existing oil trucking operations were also disrupted as a result of severe winter weather conditions in Kazakhstan which reduced the forecast sales revenue and therefore the cash available to the Company. The loans associated with the Uzbekistan NU116 well, drilled in late 2009, were due for settlement in the first quarter of 2012 with USD4.1 million due in January 2012 and USD3.4 million in March 2012. To assist with these commitments, the Company put in place a loan secured against drilling equipment. The total amount of the loan was USD10 million and the first tranche of USD4 million was completed in December 2011, the second tranche of USD3.2 million was completed in February and the final tranche of USD2.8 million was completed in March 2012.

While as stated above, management is confident that, with the increased production levels at 4,000 – 6,000 bopd, the Company will have sufficient funding for its ongoing activities and its current capital expenditure plans, it is aware that because of the reduced level of oil sales in the first four months of 2012 additional funding may be necessary to meet planned outflows. The Company has a number of options with respect to capital expenditure and can defer, delay or cancel several planned capital items. Given the low level of committed capital expenditure, the Directors believe that the Company has sufficient funds but would like to progress other activities if funding allows. For this reason, the Company has been exploring a number of alternative funding arrangements including discussions with the Company's Kazakh bank with regard to a USD5 million loan facility which are very close to being finalized The Company is currently adopting a prudent approach to cash management and will proceed with such projects when certain milestones have been met. Discussions have also been initiated with regard to reserve based lending and on other corporate and project related financing options.

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 examined these issues to form a view on the Company's ability to realise its assets and discharge its liabilities in the normal course of business. After making enquiries and considering the circumstances referred to above, the Directors have a reasonable expectation that the company has adequate resources and potential to continue operations for at least the next twelve months. For these reasons they continue to adopt the going concern basis of accounting in preparing the condensed interim 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, 2011.

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

There have been no further amendments to standards or interpretations during the period.

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 oil and gas from the Kyzyloi and Akkulka fields and is undertaking exploration and evaluation activity in the Kulbas fields. In Tajikistan, the Company is currently undertaking exploration and evaluation activity together with a small amount of production 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 another 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 three months ended March 31, 2012 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	2,308	-	2,308
Gas sales	1,652	-	-	-	1,652
Oil sales	2,313	126	-	-	2,439
Other income	88	-	-	-	88
Other operating income	-	-	-	2,183	2,183
Segment revenue and other income	**4,053**	**126**	**2,308**	**2,183**	**8,670**
Inter-segment revenue	-	-	-	(2,183)	(2,183)
Segment revenue and other income from external customers	**4,053**	**126**	**2,308**	**-**	**6,487**
Loss from jointly controlled entity	(62)	-	-	-	(62)
(Loss) / profit before taxation	**(1,095)**	**(714)**	**842**	**(5,741)**	**(6,708)**
Taxation	54	-	(194)	-	(140)
(Loss) / profit for the period	**(1,041)**	**(714)**	**648**	**(5,741)**	**(6,848)**

Borrowing costs of $24,643 and $2,916 were capitalised in the Tajik and Kazakh segments respectively, during the period.

The segment results for the three months ended March 31, 2011 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	2,422	-	2,422
Gas sales	1,491	-	-	-	1,491
Oil sales	501	-	-	-	501
Other income	66	-	-	-	66
Segment revenue and other income from external customers	**2,058**	**-**	**2,422**	**-**	**4,480**
Loss from jointly controlled entity	-	(209)	-	-	(209)
(Loss) / profit before taxation	**(2,131)**	**(272)**	**1,339**	**(5,334)**	**(6,398)**
Taxation	-	-	(249)	352	103
(Loss) / profit for the period	**(2,131)**	**(272)**	**1,090**	**(4,982)**	**(6,295)**

Borrowing costs of $250,920 were capitalised in the Kazakh segment during the period. Amortisation of $161,524 of assets held in the Corporate segment were also capitalised in the Kazakh segment during the period.

The segment assets at March 31, 2012 and capital expenditures for the three month period then ended are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Total assets	143,972	80,381	7,280	22,312	253,945
Cash expenditure to exploration & evaluation assets, property, plant and equipment	230	895	83	1	1,209

The segment assets at December 31, 2011 and capital expenditures for the three months ended 31 March, 2011 are as follows:

	Kazakhstan	Tajikistan	Uzbekistan	Other and Corporate	Interim consolidated
	$'000	$'000	$'000	$'000	$'000
Total assets	148,844	78,158	7,702	28,687	263,391
Cash expenditure to exploration & evaluation assets, property, plant and equipment	8,045	-	2,777	30	10,852

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, 2011. 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 for the period ended March 31, 2012 and March 31, 2011.

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2012	28,923,000	1.45
Granted	210,000	0.67
Forfeited	(20,000)	1.83
Exercised	(15,000)	0.60
Expired	(94,000)	1.80
Outstanding at March 31, 2012	29,004,000	1.44
Exercisable at March 31, 2012	22,058,000	1.54

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2011	22,263,000	1.65
Granted	450,000	1.95
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at March 31, 2011	22,713,000	1.66
Exercisable at March 31, 2011	14,564,000	1.79

A charge for the value of services of $633,896 (2011 - $1,293,566) was recorded for the period, of which $31,170 (2011 – $100,404) was capitalised in accordance with the company's time writing policy.

Warrants

The following tables summarize the warrant activity for the period ended March 31, 2012 and March 31, 2011.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2012	5,248,168	5.14
Granted	64,500	0.84
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at March 31, 2012	5,312,668	5.08
Exercisable at March 31, 2012	5,312,668	5.08
Outstanding at January 1 and March 31, 2011	7,504,003	5.25
Exercisable at January 1 and March 31, 2011	7,504,003	5.25

There are no performance conditions attached to these warrants and all the granted warrants were immediately vested. These warrants are equity settled share based payment transactions. The 64,500 warrants granted above were issued in connection with commissions payable to brokers with respect to the 2012 loans (note 11).

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:

	March 31, 2012 $'000	**December 31, 2011 $'000**
Capital Assets	2,376	2,937
Tax losses	(759)	(969)
Other	490	143
Net deferred tax liability	2,107	2,111

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

	March 31, 2012 $'000	**March 31, 2011 $'000**
Loss before income taxes	(6,708)	(6,398)
Income tax rate	20%	20%
Expected income tax (recovery)	(1,342)	(1,280)
Increase / (decrease) resulting from:		
Non-deductible expenses	217	279
Impact of effective tax rates in other foreign jurisdictions	780	779
Losses and tax assets not utilised/recognised	128	75
Other	357	44
	140	(103)
Current income tax expense	144	11
Deferred tax (recovery) / expense	(4)	(114)
	140	(103)

6 Loss per share

Basic and diluted loss per share

	Loss for the period $'000	Weighted average number of shares (thousands)	Per share amount $
Three months ended March 31, 2012			
Loss attributable to ordinary shareholders – Basic and diluted	(6,748)	286,698	(0.02)
Three months ended March 31, 2011			
Loss attributable to ordinary shareholders – Basic and diluted	(6,295)	260,630	(0.02)

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, 2011					
Cost	133,322	25,337	2,260	1,978	162,897
Accumulated depreciation	(26,443)	(5,813)	(1,007)	(716)	(33,979)
Net book amount	106,879	19,524	1,253	1,262	128,918
Period ended March 31, 2012					
Opening net book amount	106,879	19,524	1,253	1,262	128,918
Additions	202	-	406	1	609
Depreciation charge	(2,611)	(236)	(581)	(105)	(3,533)
Closing net book amount	104,470	19,288	1,078	1,158	125,994
At March 31, 2012					
Cost	133,525	25,337	2,666	1,979	163,507
Accumulated depreciation	(29,055)	(6,048)	(1,588)	(821)	(37,513)
Net book amount	104,470	19,289	1,078	1,158	125,994
Assets under construction at net book amount included in above:					
At March 31, 2012	19,744	-	-	-	19,744
At December 31, 2011	19,613	-	-	-	19,613

8 Intangible assets

	Other intangible asset $'000	Exploration and evaluation assets $'000	Total $'000
At December 31, 2011			
Cost	5,553	98,358	103,911
Accumulated amortisation and impairment	(3,952)	-	(3,952)
Net book amount	1,601	98,358	99,959
Period ended March 31, 2012			
Opening net book amount	1,601	98,358	99,959
Additions	-	1,017	1,017
Amortisation	(62)	-	(62)
Closing net book amount	1,539	99,375	100,914
At March 31, 2012			
Cost	5,553	99,375	104,928
Accumulated amortisation and impairment	(4,014)	-	(4,014)
Net book amount	1,539	99,375	100,914

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 following amounts represent the movements in the loan receivable:

	March 31, 2012	December 31, 2011
Balance, beginning of year	2,013	-
Share of loss	(62)	
Finance income on loan receivable (at market rate)	49	13
Increase in loan to jointly controlled entity	-	2,000
Balance, end of period / year	2,000	2,013

10 Restricted cash

Non current restricted cash consists of interest bearing deposits held in Kazakhstan. These deposits have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations.

Current restricted cash consists of monies placed on temporary deposit as security against a foreign currency hedge, corporate cards and a deposit with the Ministry of Finance in Dubai as fixed term deposits with banks.

11 Financial liabilities – borrowings

	Effective interest rate	Maturity date	March 31, 2012 $'000	December 31, 2011 $'000
Current				
New well loans - Uzbekistan	7% to 15.36% p.a.	2012	-	6,360
Rig loans – Option A	19.95% p.a.	2012	5,302	2,036
Rig loans – Option B	19.54% p.a.	2012	723	
			6,025	8,396
Non-current				
Rig loans – Option B	19.54% p.a.	2013/2014	2,819	1,632
Total			8,844	10,028

The new well loans relating to Uzbekistan were all repaid in the quarter.

In December 2011 the Company closed on the first tranche of a maximum $10 million loan facility amounting to US$3,965,240, which is secured by the ZJ70 and ZJ30 rigs and other equipment. This facility gives lenders the choice of two methods of repayment designated Option A and Option B. The remaining two tranches of the $10 million facility were closed in February and March 2012.

Under Option A, which has a term of one year, lenders have the option to receive monthly repayments on an interest only basis followed by a single balloon repayment of the principal amount to be paid at the maturity date. Option B, which has a term of two years, gives lenders the right to receive equal monthly instalments, incorporating interest and capital, together with a single balloon repayment of half of the principal amount to be paid at the maturity date. These borrowings are held at amortized cost and their carrying amounts approximate to their fair value at the balance sheet date. The interest payable on the borrowed funds is 12% per annum under both options.

In addition, lenders were granted warrants to acquire ordinary shares of the borrower equal to half of each $100,000 principal amount of the loan advanced to the Company. As at March 31, 2012, a total of 4,938,621 such warrants have been granted to lenders.

Such warrants will be exercisable at a 25% premium to the price of the volume weighted average CAD price of the shares on the TSX for the 5-day period prior to the day the borrower receives the funds in its bank account. As at March 31, 2012, 1,610,000 warrants had been issued in connection with the second tranche of the loan and 1,346,001 for the third tranche of the loan. The Company has recorded a discount to these further loans in the amount of $682,934 based on the relative fair value of the warrants. The fair value of the warrant commissions relating to these loans (see note 4) was $37,022, which was also recorded as a discount to these loans. The loans were then amortised using the effective rate interest method. Lenders have security over the shares of Imperial Oilfield Services Limited which has no other assets except the drilling rigs and associated equipment.

12 Derivative financial instruments - warrants

	March 31, 2012 $'000	December 31, 2011 $'000
Balance, beginning of year	264	405
Issued during the period / year	670	233
Fair value loss / (gain)	414	(374)
Exercised during the period / year	-	-
Balance, end of period / year	1,348	264

The following table summarizes the warrant activity for the years ended March,31 2012 and March 31, 2011.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2012	2,620,918	0.79
Granted	2,956,001	0.99
Expired	(638,298)	1.25
Outstanding at March 31, 2012	4,938,621	0.84
Exercisable at March 31, 2012	4,938,621	0.84

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2011	1,433,298	2.36
Expired	(795,000)	3.31
Outstanding at March 31, 2011	638,298	1.25
Exercisable at March 31, 2011	638,298	1.25

Warrants granted during the period were in connection with loans raised (note 11). 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.

13 Share capital

	March 31, 2012 Number	December 31, 2011 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, 2011	260,629,769	26,063	297,222
Issued during the period for cash	26,062,975	2,606	9,503
At December 31, 2011	286,692,744	28,669	306,725
Issued during the period in connection with the exercise of share options	15,000	2	11
Cost of share issue	-	-	(11)
At March 31, 2012	286,707,744	28,671	306,725

14 Related party transactions

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

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 March 31, 2012 was $799,581 (March 31, 2011 – $765,362).

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. Total fees for the period ended March 31, 2012 were $Nil (March 31, 2011 – $11,422). OPC participated in the 2011 loan financing described in note 20 of the annual consolidated financial statements for the year ended December 31, 2011, advancing $200,000 under Option B of the facility. As a result, OPC received 100,000 warrants valued at a fair value of $15,030. The loan was advanced under the same conditions and terms afforded to non-related parties.

Other

Two officers of the Company participated in the 2011 loan financing described in note 20 of the annual consolidated financial statements for the year ended December 31, 2011, for which they received 75,000 and 232,620 warrants valued at a fair value of $6,143 and $21,983 respectively. Loans advanced were $150,000 and GBP300,000 respectively for a one year term under the same conditions and terms afforded to non-related parties.

15 Changes in working capital

	Three months ended March 31, 2012 $'000	2011 $'000
Trade and other receivables	(366)	450
Inventories	(48)	(331)
Trade and other payables	(2,421)	(571)
Change in non-cash working capital	(2,835)	(452)
Non-cash transactions	(6)	78
Net changes in non-cash working capital	(2,841)	(374)

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

	Three months ended March 31, 2012 $'000	2011 $'000
Operating activities	(1,562)	(322)
Investing activities	(1,279)	(52)
Balance	(2,841)	(374)

16 Commitments and contingencies

Kazakhstan

Kyzyloi Field and the Kyzyloi Field Licence and Production Contract

With respect to 2012, a minimum work program amounting to $272,000 has been agreed, $241,663 of which has been paid during the period ended March 31, 2012.

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 2012, a minimum work program amounting to $1,680,000 has been agreed, of which $1,293,776 has been paid during the period ended March 31, 2012.

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 $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 $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 have been paid in full. With respect to 2012, a minimum work program amounting to $3,210,000 has been agreed, of which $224,112 has been paid during the period ended March 31, 2012.

17 Operating leases

Leases as a lessee:

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

March 31, 2012	Total $'000	Less than 1 year $'000	1 – 3 years $'000	Greater than 3 years $'000
Operating leases	1,321	926	341	54

December 31, 2011	Total $'000	Less than 1 year $'000	1 – 3 years $'000	Greater than 3 years $'000
Operating leases	1,055	670	290	95

Leases as a lessor:

Under IFRIC 4 'Determining whether an arrangement contains a lease', the Company sells gas in Kazakhstan under a lease arrangement even though the agreement is not in the legal form of a lease. There are no payments received for non-lease elements within the Kazakh gas sales revenue. There are no non-cancellable lease payments under this take or pay contract.

18 Non-controlling interest

The table below relates to the 15 % non-controlling interest share of Seven Stars Energy Corporation:

	March 31, 2012 $'000	December 31, 2011 $'000
Balance at December 31, 2011	8,918	4,888
Fair value uplift arising from debt waiver	-	4,080
Share of loss for the period	(100)	(50)
Balance at March 31, 2012	8,818	8,918

19 Subsequent events

On April 18, 2012 the Company received permission from the Ministry of Oil & Gas of the Republic of Kazakhstan ("MOG") to extend the Akkulka Exploration Contract (the "Contract") for a further two years from March 10, 2013 to March 10, 2015 (subject to certain routine amendments to the Contract).