Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended March 31, 2021

Contents

The following Management's Discussion and Analysis ("MD&A") is dated May 13, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the period ended March 31, 2021 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2020. 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 2020 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 One Nexus Way, Camana Bay, 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 ("TSXV"). 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 March 31		
	2021	**2020**	**Change**
Oil and gas sales revenues	2,384	3,501	(32%)
Loss for the period	(93)	(7,432)	(99%)
Basic and diluted (loss)/earnings ($) per share	(0.0)	(0.09)	(100%)
Adjusted EBITDA[1]	1,127	1,448	(22%)

	As at March 31		
	2021	**2020**	**Change**
Total assets	52,751	96,421	(45%)
Cash & cash equivalents	433	4,519	(90%)
Short & long term borrowings	5,785	24,342	(76%)
Total non-current liabilities	15,574	15,659	(1%)
Net debt[1]	5,352	19,823	(73%)
Number of ordinary shares outstanding	104,955,999	86,955,999	21%

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 13 for details.

First quarter 2021 versus first quarter 2020

- Oil and gas sales revenues decreased by 32% to $2.4 million from $3.5 million due to lower gas revenues. There were no oil sales in either period. Gas revenues decreased due to 5% lower production and a lower average price;
- The loss for the quarter was $0.1 million compared to a loss of $0.7 million in the comparative quarter in 2020. The prior period included an impairment of oil assets of $15.3 million due to the fall in oil prices and a $8.3 million gain arising from the renegotiation of borrowings. The reduction in revenues was offset by lower costs, in particular finance costs were 79% lower at $0.3 million as a result of borrowings being repaid and converted into equity in 2020;
- Adjusted EBITDA was $1.1 million compared with $1.5 million as a result of the reduction in revenue exceeding the reduction in production and administrative expenses;
- Total assets were reduced by 45% to $52.8 million due mainly to a $57.6 million impairment of the Akkulka oil assets in Q4 2020;
- Short and long term borrowings reduced by 76% to $5.8 million and net debt were reduced by 73% to $5.4 million due to the repayment and conversion of loans into equity;
- The number of ordinary shares outstanding increased by 21% to 105.0 million due to the conversion of borrowings into equity of the Company.

Operational Highlights

	Units	Quarter ended March 31 2021	2020	Change
Kazakhstan				
Oil	bopd	-	-	-
Gas	boe/d	1,996	2,091	(5%)
Total	boe/d	**1,996**	**2,091**	**(5%)**
Oil				
Net production	Bbls	-	-	-
Net revenue	$'000	-	-	-
Production costs	$'000	209	229	(9%)
Gross margin	$'000	**(209)**	**(229)**	**(9%)**
Gas				
Gross production	Mcm	30,525	31,976	(5%)
Gas revenue net	$'000	2,384	3,501	(32%)
Production costs	$'000	404	686	(41%)
Gross margin	$'000	**1,980**	**2,815**	**(30%)**

Oil

- There was no oil production in the quarter or in Q1 2020. The KBD-02 well which tested successfully in 2020 was closed in December 2020 in line with local requirements whilst regulatory approvals are obtained to commence commercial production from the well. It is anticipated that production will be able to commence again around the middle of 2021.
- Oil production costs continue to be incurred as the Company maintains production capacity and looks to establish increased production.

Gas

- Gas production averaged 1,996 boe/d compared with 2,091 boe/d in Q1 2020, a 5% decrease reflecting a natural decline in production;
- Gas production costs were lower in the current quarter mainly due higher materials and repairs and maintenance costs in Q1 2020 although personnel costs were higher in the current quarter;
- Gas revenues decreased from $3.5 to $2.4million, a 32% reduction, due to 5% lower production and a lower average price.

Operational Review

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to page 16 – “*Forward Looking Statements*“ of this MD&A.

The Company's objective is to become a leading oil and gas exploration and production Company in Central Asia, by exercising capital discipline, by generating cash flow from existing discoveries and by maturing large exploration prospects within our highly-attractive frontier acreage. The Company produces both oil and natural gas in Kazakhstan.

The Company's long-term ambition is to achieve a significant role in the production and delivery of hydrocarbons from the Central Asian region to local and global markets, especially to the Chinese market. In common with many oil and gas companies, in implementing its strategies, the Company regularly considers farm-out/farm-in and joint venture opportunities and new projects which provide synergy with the Company’s activities. Meanwhile, the specific focus of management in the short term is to:

- Obtain the necessary approvals to re-commence commercial oil production of KBD-02 (“Klymene”) 2,750 m exploration well;
- Secure funding required to meet capital expenditure plans to the extent that these cannot be funded from existing cash generation;
- Drill new oil & gas wells to increase production levels and revenues and in particular, further develop the Kul-bas exploration contract area which includes the successful KBD-02 exploration well.

Significant events and transactions for the three months ended March 31, 2021

- *Private placement*

  In order to fund short term cash obligations, the Company completed a private equity placement for 2,592,115 ordinary shares at 0.67 CAD per share (C$1,736,717), approximately $1.4 million. These proceeds will be used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses. The placement is to Pope Investments II, LLC, an investment fund managed by Pope Asset Management, LLC. William Wells, the Chairman of Tethys Petroleum is the President of Pope Asset Management, LLC and has a minority ownership interest in Pope Investments II, LLC.

- *Financing plan*

  Tethys is in the process of trying to secure a line of credit up to $15 million from a Kazakhstan bank.

- *Drilling plans*

  Subject to Tethys securing financing, the Company is planning to drill four wells in 2021 in the Klymene field at distances of approximately 500-2000 meters away from KBD-02 (KBD-03, KBD-06, KBD-07, and KBD-08). The first well KBD-03 has commenced drilling. While KBD-03 is approved under the exploration license, the other three wells need approval from the Ministry of Energy. These requests have been submitted. On the Akkulka gas field, Tethys is planning to drill up to four exploration gas wells, AKK-21, AKK-28, AKK-29, and AKK-30. The decision on whether or not to drill the later wells will be dependent upon the success of the earlier wells. On the Kyzyloi field Tethys is planning on drilling one gas development well, KYZ-121. All plans are subject to financing.

- *McDaniels report*

  Tethys has received a resource report and reserves assessment from McDaniel on the Klymene field. This report was prepared in compliance with NI51-101, Standards of Disclosure for Oil and Gas Activities and the COGE Handbook. Their summary of mean reserves is estimated to be approximately 94.8 million barrels of crude oil with a P90 low estimate of approximately 35.8 million barrels and a P10 high estimate of approximately 174 million barrels.

Significant events and transactions subsequent to the period end

There were no significant events between the period end and the date of this report to disclose.

Reserves

Following the completion of the annual evaluation of the Kazakhstan reserves by an independent qualified reserves evaluator, McDaniel & Associates, of Calgary, Canada (2019: Gustavson Associates, of Colorado, USA), in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators ("NI 51-101"), the Company announced Total Gross (i.e. before the application of Kazakh Mineral Extraction Tax) Oil and Gas Reserves consisting of “Proved” 1P reserves of 36.7 million BOE (2019: 3.99 million BOE) and “Proved and Probable” 2P reserves of 78.6 million BOE (2019: 17.61 million BOE).

Operational Review - continued

The net present value after tax of the Company's 2P Kazakh reserves as at December 31, 2020 was $364.3 million (2019: $91.3 million) based on a 10% discount rate.

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Both oil and gas reserves are based on availability of sufficient funding to allow development of the known accumulations.

Results of Operations and Operational Review - Kazakhstan

Oil production

Oil operations update

There was no oil production during the quarter. The KBD-02 ("Klymene") well which tested successfully during 2020 was closed in December. This is in line with expectations of an approximately six month whilst the necessary reports and approvals are required before commercial production can begin. In is anticipated that production should be able to recommence around the middle of 2021.

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 2019 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. Testing continued until December 2020 with the well producing over 4,000 bopd at its peak.

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 in 2021.

Subject to Tethys securing financing, the Company is planning to drill four wells in 2021 in the Kul-Bas field at distances of approximately 500-2000 meters away from KBD-02 (KBD-03, KBD-06, KBD-07, and KBD-08). The first well KBD-03 has commenced drilling. While KBD-03 is approved under the exploration license, the other three wells need approval from the Ministry of Energy. These requests have been submitted.

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 70%) of oil to be exported and higher prices to be realised.

Operational Review - continued

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 continues to consider its options with regard to disposing of its interest in the terminal.

Gas production – Kyzyloi and Akkulka Contracts

	2021				2020			
	Mcm	Mcf	Mcm/d	Boe/d	Mcm	Mcf	Mcm/d	Boe/d
Kyzyloi								
Q1	21,154	746,942	235	1,383	24,643	870,144	274	1,611
Total	**21,154**	**746,942**	**235**	**1,383**	**24,643**	**870,144**	**274**	**1,611**
Akkulka								
Q1	9,371	330,898	104	613	7,333	258,930	81	480
Total	**9,371**	**330,898**	**104**	**613**	**7,333**	**258,930**	**81**	**480**
Grand total	**30,525**	**1,077,840**	**339**	**1,996**	**31,976**	**1,129,074**	**355**	**2,091**

Gas operations update

During the period, the Company produced dry gas from a total of 23 wells at a depth of approximately 480-600m below surface, comprising 13 producing wells in the Kyzyloi field and 10 in the Akkulka field. Gas production for the quarter decreased to 339 Mcm per day compared with 355 Mcm per day in Q1 2020.

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 in 2021.

Subject to Tethys securing financing, the Company is planning to drill up to four exploration gas wells in the Akkulka gas field, AKK-21, AKK-28, AKK-29, and AKK-30. The decision on whether or not to drill the later wells will be dependent upon the success of the earlier wells. On the Kyzyloi field Tethys is planning on drilling one gas development well, KYZ-121.

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.

Financial Review

Summary of Quarterly Results

	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019	Q3, 2019	Q2, 2019
Oil & gas sales and other revenues	2,384	4,414	2,148	2,977	3,501	1,252	3,238	3,570
Loss for the period	(93)	(33,888)	(241)	4,156	(7,432)	(7,517)	(496)	(1,533)
Basic & diluted loss ($) per share	(0.00)	(0.34)	(0.00)	0.04	(0.09)	(0.11)	(0.01)	(0.02)
Adjusted EBITDA[1]	1,127	2,508	1,220	1,836	1,448	(472)	1,940	1,801
Capital expenditure	836	7,522	(1,018)	289	165	2,985	2,502	858
Total assets	52,751	54,028	92,304	92,678	96,421	108,834	109,713	110,667
Cash & cash equivalents	433	1,747	4,575	650	4,519	694	2,368	4,002
Short & long term borrowings	5,785	5,549	9,572	13,159	24,342	40,196	38,459	36,850
Total non-current liabilities	15,574	10,345	16,632	16,320	15,659	9,776	9,723	9,994
Net debt[1]	5,352	3,802	4,997	12,509	19,823	39,502	36,091	32,848
Number of common shares outstanding	104,955,999	104,955,999	104,955,999	104,955,999	86,955,999	68,324,430	68,324,430	68,324,430

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 13 for details.

Loss for the period

	Three months ended March 31		
	2021	**2020**	**Change**
Sales revenues	2,384	3,501	(32%)
Production expenses	(613)	(915)	(33%)
Depreciation, depletion & amortization	(749)	(1,141)	(34%)
Impairment charges	-	(15,282)	(100%)
Administrative expenses	(734)	(737)	(0%)
Other gains and losses	-	8,303	(100%)
Foreign exchange loss	90	(101)	(189%)
Finance costs	(265)	(1,250)	(79%)
	(2,271)	**(11,123)**	**(80%)**
Profit/(loss) before tax	**113**	**(7,622)**	**(101%**
Taxation	(206)	190	(208%)
Loss for the period	**(93)**	**(7,432)**	**(99%)**

Loss after tax for the quarter was $0.1 million compared with a loss of $7.4 million in Q1 2020, the principal variances being:

- Lower gas revenues from naturally declining production and a lower average gas price. There were no oil sales in the current or prior year quarter;

Financial Review - continued

- Lower production expenses mainly due to higher materials costs and repairs and maintenance costs in Q1 2020, although personnel costs were higher in Q1 2021;

- A $15.3 million impairment charge on the Akkulka Oil assets in Q1 2020 due to the significant fall in oil prices during the period. A further impairment of $57.6 million was recognised in Q4 2020 when the asset was fully impaired;

- A gain of $8.3 million in Q1 2020 arising from the favourable renegotiation of the terms of the Company's borrowings; and

- Lower finance costs due to repayment and conversion of borrowings in equity of the Company in 2020.

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

Sales revenue

	Quarter ended March 31		
	2021	**2020**	**Change**
Summary by product & region			
Kazakhstan - Oil	-	-	-
Kazakhstan - Gas	2,384	3,501	(32%)
Total	**2,384**	**3,501**	**(32%)**

Kazakhstan – Oil revenue

- There was no oil revenue in the current quarter or prior year quarter since production from the KBD-02 well which successfully tested in 2020 was closed in December while required reporting and approvals to begin commercial production are obtained.

Kazakhstan - Gas revenue

- Gas revenues were 32% lower due to lower production, which was 5% lower reflecting a natural decline with no new wells being added and the effect of lower average prices for gas sold;

- Gas contracts are subject to price risk – refer to page 15 – "*Sensitivities*".

Financial Review - continued

Production expenses

	Units	Quarter ended March 31 2021	2020	Change
Kazakhstan				
Oil production	$000's	209	229	(9%)
Gas production	$000's	404	686	(41%)
Total	**$000's**	**613**	**915**	**(33%)**
Oil				
Net production	Bbls	-	-	-
Cost	$/bbl	-	-	-
Gas				
Production	Boe	179,651	188,191	(5%)
Cost	$/boe	2.25	3.64	(38%)
Weighted average cost per boe	$/boe	3.41	4.86	(30%)

Kazakhstan – oil production

Oil production costs continued during the period despite there being no production as the Company maintained some capacity in anticipation of production resuming in mid-2021.

Kazakhstan – gas production

Gas production costs decreased in the current quarter by 41% mainly due to higher materials and repairs and maintenance costs in Q1 2020, although personnel costs were higher in Q1 2021.

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

DD&A for the quarter was $0.7 million (Q1 2020: $1.1 million) relating to the Kazakh gas assets. The decrease in DD&A expense mainly reflects lower production during the quarter of gas and also a reassessment of reserves at December 31, 2020 by McDaniel Associates.

Administrative expenses

	Quarter ended March 31 2021	2020	Change
Staff costs	374	387	(3%)
Non-executive director fees	60	61	(2%)
Professional fees	130	150	(13%)
Other administrative expenses	170	139	22%
Total	**734**	**737**	**(0%)**
G&A expenses per boe ($)	4.09	3.92	4%

- Administrative costs were generally in line with the prior year quarter;
- Professional fees were lower due to lower legal fees;
- Other general & administrative expenses were higher due to higher mandatory socio economic contributions in Kazakhstan.

Financial Review - continued

Other gains and losses

Other gains and losses in Q1 2020 represent the gains arising from modifications of the terms of the Company's borrowings where more favourable repayment terms were agreed in January 2020.

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 lower due to borrowings being repaid and converted into equity of the Company in 2020.

Taxation

Deferred tax credit arises mainly due to property, plant & equipment timing differences for accounting and tax purposes. Current tax is currently arising in relation to the Kyzyloi gas production contract.

Liquidity and Capital Resources

The Company reported a loss of $0.1 million for the period ended March 31, 2021 (year ended December 31, 2020: $38.5 million loss) and an accumulated deficit as at that date of $402.7 million (December 31, 2020: $402.6 million) and negative working capital of $12.9 million (December 31, 2019: negative $11.8 million). In addition, the Company reported cash used in operating activities after tax paid of $0.7 million for the period ended March 31, 2021 (year ended December 31, 2020: positive cash from operating activities of $17.5 million).

The Company's financial position has improved as a result of the Company's loan obligations being restructured, repaid and/or converted into Tethys ordinary shares during the prior year. Borrowings have reduced from $40.2 million at December 31, 2019 to $5.8 million at March 31, 2021.

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. An unsecured loan of $2.5 million was received from the same lender in October 2020

A private placement of $1.4 million was completed in April 2021. These proceeds will be used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses.

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.

There are factors relating to the ongoing COVID-19 pandemic that could impact the business. 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 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. The Company has not suffered any significant adverse effect from Covid-19 and, at this time, does not anticipate Covid-19 will have a material impact 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:

- Obtain the necessary approvals to re-commence commercial oil production on KDB-02 ("Klymene") 2,750m exploration well;

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

- Drill new oil & gas wells to increase production levels and revenues and in particular, further develop the Kul-bas exploration contract area which includes the successful KBD-02 exploration well.

Financing and Going Concern

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the above-described additional funding required to meet its planned capital expenditure program including its contractual obligations, and ability to generate positive cash flows from operations. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Cash Flow

	Quarter ended March 31		
	2021	**2020**	**Change**
Net cash (used in)/from operating activities	**(680)**	**7,276**	**(109%)**
Capital expenditure	(836)	(165)	407%
Net changes in working capital	231	(116)	(299%)
Other investing cash flows	14	11	27%
Net cash used in investing activities	**(591)**	**(270)**	**119%**
Loan principal and interest payments	-	(3,000)	(100%)
Net cash used in financing activities	**-**	**(3,000)**	**(100%)**
Effect of exchange rates	(43)	(181)	(76%)
Net (decrease)/increase in cash	**(1,314)**	**3,825**	**(134%)**
Cash & cash equivalents at beginning of period	1,747	694	152%
Cash & cash equivalents at end of period	**433**	**4,519**	**(90%)**

Operating activities

Net cash from operating activities in the current quarter was significantly higher in Q1 2020 due to the receipt during the quarter of a $7.6 million prepayment received from the Company's gas customer. The Company continued to invoice the customer monthly and the price was determined in the normal way until the prepayment was fully earned. A further prepayment of $7.6 million was received in October 2020 which has resulted in lower gas sales receipts in Q1 2021 and the negative net cash from operating activities.

Investing activities

Capital expenditure incurred during the period mainly relates to the Company's seismic program.

Financing activities

There were no loan payments in Q1 2021. In Q1 2020 an initial $3.0 million repayment was made against the loan due to Khan Energy and the loan was fully repaid in April 2020.

Accounting policies, changes to accounting standards and critical estimates

The Company's significant accounting policies and discussion of changes to accounting standards are disclosed in note 2 of the March 31, 2021 condensed consolidated interim financial statements. Refer to note 4 of the 2020 audited consolidated financial statements for information on the Company's significant judgments and assumptions and critical estimates.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is defined as "Profit or loss before Interest, Tax, Depreciation, Amortization, Impairment, Fair value gains or losses and Share Based Payments" and is calculated on the results of continuing operations. It provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are depreciated and amortized, or how results are taxed in various jurisdictions.

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

	Quarter ended March 31		
	2021	**2020**	**Change**
Profit/(loss) before taxation	113	(7,622)	(101%)
Depreciation, depletion and amortization	749	1,141	(34%)
Impairment charges	-	15,282	(100%)
Other gains and losses	-	(8,303)	(100%)
Finance costs - net	265	1,250	(79%)
Adjusted EBITDA	**1,127**	**1,448**	**(22%)**

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 March 31		
	2021	**2020**	**Change**
Total financial liabilities - borrowings	5,785	24,342	(76%)

Less: cash and cash equivalents	(433)	(4,519)	(90%)
Net debt	**5,352**	**19,823**	**(73%)**
Total equity	24,827	45,799	(45%)
Total capital	**30,179**	**65,622**	**(54%)**

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 March 31, 2021 the Company had authorised share capital of 145,000,000 (2020: 145,000,000) ordinary shares of which 104,955,999 (March 31, 2020: 86,955,999) had been issued and 50,000,000 (March 31, 2020: 50,000,000) preference shares of which none had yet been issued. The preference shares have the rights as set out in the Memorandum and Articles of Association of the Company.

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

The number of options issued under the Company's Long Term Stock Incentive Plan and outstanding as at March 31, 2021 was 1,277,188 (March 31, 2019: 1,362,188) and the number of warrants outstanding was nil (March 31, 2020: nil). Loan facilities were in place which were convertible into a total of up to 16,487,856 (March 31, 2020: 18,000,000) 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 21 of the 2018 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	5,785	-	5,785	-	-
Kazakhstan work programme commitments	55,536	15,797	16,818	9,930	12,991
Trade and other payables	9,108	9,108	-	-	-
Provisions	2,397	414	144	-	1,839
Total contractual obligations	**72,826**	**25,319**	**22,747**	**9,930**	**14,830**

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 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 audited consolidated financial statements for the year ended December 31, 2020. 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 in exchange rates. A 20% net price reduction from the 2020 average sales price, would result in a reduction of $2.2 million in gas revenues based on the 2020 gas sales volume of 375,000 Mcm.

Any material decline in oil prices could result in a reduction of the Company's oil revenues in Kazakhstan. For example, a 20% net price reduction from the 2020 average sales price, would result in a reduction of $0.9 million in oil revenues based on the 2020 oil sales volume of 375,000 bbls.

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 2020 audited 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 audited consolidated financial statements for the year ended December 31, 2020.

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 obtaining governmental approvals for the export of oil at prices significantly higher than price currently realised; volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; 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

AOT	Aral Oil Terminal LLP
Bbls	Barrels of oil
boe/d	Barrel of oil equivalent per day
bopd	Barrels of oil per day
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESP	Electrical submersible pump
GAAP	Generally accepted accounting principles
IFRS	International Financial Reporting Standards
KASE	Kazakhstan Stock Exchange
Klymene	KBD-02 exploration well in the Kul-Bas Exploration Contract area
KZT	Kazakhstani Tenge
m3	Cubic metre
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
Mcm	Thousand cubic metres
Mcm/d	Thousand cubic metres per day
MD&A	Management's Discussion & Analysis
NPV	Net present value
NEX	NEX Board of the TSX Venture Exchange
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