TETHYS PETROLEUM LIMITED
(formerly known as Tethys Petroleum Investments Limited)

Consolidated Balance Sheets *(unaudited)*

	Note	As at March 31, 2008	As at December 31, 2007
		(Expressed in 000's United States dollars)	
ASSETS			
Current Assets			
Cash and cash equivalents		24,467	26,692
Prepayments	3	565	351
Accounts Receivable		1,133	219
Value added tax recoverable		71	-
Other current assets		321	790
Total current assets		26,557	28,052
Non Current Assets			
Prepayments	3	4,347	3,062
Restricted Cash	4	423	318
Value added tax recoverable	5	2,693	2,752
Capital assets	6	39,526	37,472
Total Assets		73,546	71,656
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	7	1,270	1,388
Current portion of long term debt	8	780	-
Accrued & other liabilities		745	891
Total current liabilities		2,795	2,279
Non Current Liabilities			
Long term debt	8	4,520	-
Other non current liabilities	9	754	776
Asset retirement obligation	10	686	661
		5,960	1,437
Total Liabilities		8,755	3,716
Stockholders' equity			
Common stock, authorized - 500,000,000 shares; shares issued, issuable and outstanding - 45,116,696 at March 31, 2008 and at December 31, 2007	13	99,483	99,483
Contributed Surplus		3,527	3,527
Warrants		18,107	16,555
Accumulated deficit		(56,326)	(51,625)
Total stockholders' equity		64,791	67,940
Total Liabilities and Stockholders' Equity		73,546	71,656
Commitments and contingencies	11		

See accompanying notes to these financial statements

Approved by Board of Directors

"D. Robson"
Director

"B. Murphy"
Director

TETHYS PETROLEUM LIMITED
(formerly known as Tethys Petroleum Investments Limited)

Consolidated Statements of Operations and Comprehensive Loss *(unaudited)*

	Note	For three months to 31 March, 2008	2007
		(Expressed in 000's United States dollars except share data)	
Revenues Net of Royalties			
Oil and gas sales		1,431	-
		1,431	-
Expenses			
Operating		67	-
Selling, general and administrative		3,765	1,663
Depreciation, depletion and amortization		1,496	14
		5,328	1,677
Operating Loss		(3,897)	(1,677)
Other Income (Expense):			
Interest, net		167	(335)
Foreign exchange gains (losses)		25	(134)
Finance charges		(980)	-
Other		(16)	(175)
Total Other Income/(Expense)		(804)	(644)
Loss Before Income Taxes		(4,701)	(2,321)
Income taxes	12	-	-
Net Loss and Comprehensive Loss for the period		(4,701)	(2,321)
Weighted average number of common shares outstanding	15	45,116,696	17,006,540
Basic and diluted loss (US$) per share		(0.10)	(0.14)

See accompanying notes to these financial statements

TETHYS PETROLEUM LIMITED
(formerly known as Tethys Petroleum Investments Limited)

Consolidated Statement of Cash Flows *(unaudited)*

	Note	For three months to 31 March, 2008	2007
		(Expressed in 000's United States dollars)	
Operating activities:			
Net loss from operations		(4,701)	(2,321)
Items not affecting cash			
Share warrants & options		1,552	-
Non-cash interest expense		-	292
Accretion on asset retirement obligations		16	-
Depreciation, depletion and amortization		1,496	14
Net change in non-cash working capital items			
Accounts Receivable		(914)	-
Other current assets		398	-
Prepayments		(214)	(29)
Accounts payable		(118)	(675)
Accrued and other liabilities		(146)	159
Net cash used in operating activities		(2,631)	(2,560)
Investing activities:			
Capital expenditures		(3,541)	(2,285)
Restricted cash		(105)	(5)
Value added tax recoverable		59	(303)
Change in oil & gas suppliers prepayments		(1,285)	(988)
Net cash used in investing activities		(4,872)	(3,581)
Financing activities:			
Proceeds from sale of common stock		-	17,337
Share issue costs		-	(616)
Proceeds from long term debt		5,300	-
Other non-current liabilities		(22)	10
Net cash provided by (used in) financing activities		5,278	16,731
Net increase (decrease) in cash and cash equivalents		(2,225)	10,590
Cash and cash equivalents, beginning of period		26,692	1,763
Cash and cash equivalents, end of period		24,467	12,353
Interest paid		-	103

See accompanying notes to these financial statements

TETHYS PETROLEUM LIMITED
(formerly known as Tethys Petroleum Investments Limited)

Consolidated Statements of Changes in Stockholders Equity

	Common Stock					
	No of Shares Issued	Share Capital	Contributed Surplus	Warrants Reserve	Accumulated Deficit	Total Stockholders Equity
			(Expressed in 000's United States dollars except share data)			
Total December 31, 2006	70,000,000	22,315	-	2,220	(9,846)	14,689
Shares Issued pursuant to Private Placement	34,674,390	17,337	-	-	-	17,337
	104,674,390	39,652	-	2,220	(9,846)	32,026
Share restructure 1:5	20,934,878	39,652	-	2,220	(9,846)	32,026
Issue of shares to acquire 30% of BN Munai	6,000,000	15,000	-	-	-	15,000
Initial Public Offering (IPO)	18,181,818	50,000	-	-	-	50,000
Share Warrants and Options	-	-	3,527	14,335	-	17,862
Finance Costs	-	(5,169)	-	-	-	(5,169)
Net loss in 2007	-	-	-	-	(41,779)	(41,779)
Total, December 31, 2007	45,116,696	99,483	3,527	16,555	(51,625)	67,940
Share Warrants and Options				1,552		1,552
Net loss for the period to March 31, 2008					(4,701)	(4,701)
Total March 31, 2008	45,116,696	99,483	3,527	18,107	(56,326)	64,791

See accompanying notes to these financial statements

TETHYS PETROLEUM LIMITED
(formerly known as Tethys Petroleum Investments Limited)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – Unaudited

MARCH 31, 2008

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

These interim consolidated financial statements are for the three month period ended March 31, 2008 and should be read in connection with the 2007 annual consolidated financial statements.

Tethys Petroleum Limited (formerly known as Tethys Petroleum Investments Limited), incorporated and headquartered in Guernsey, British Isles, and its consolidated subsidiaries (collectively "Tethys"), is an oil and gas company operating within the Republic of Kazakhstan and more recently the Republic of Tajikistan. Tethys' principal activity is the acquisition of interests in and development of crude oil and natural gas fields.

Significant Business Risks and Basis of Presentation

Since inception, the Company has incurred significant losses from operations and negative cash flows from operating activities, and has an accumulated deficit at March 31, 2008. The ability of the Company to successfully carry out its business plan is primarily dependent upon its ability not only to maintain the current level of gas production but also to achieve further production of commercial oil and gas and to control the costs of operating and capital expenditures. While these factors create doubt about the Company's ability to continue as a going concern management is confident of achieving the Company's short term plans, including phase two of gas production, and optimistic about the longer term prospects for the Company.

The Company completed an Initial Public Offering of equity securities on the Toronto Stock Exchange on June 27, 2007 that generated sufficient funds to secure its future at least in the short term. In the event the Company is unable to generate significant revenues and cash flows from operations it may need to seek further funding from its shareholders or alternative sources. There can be no assurances that management will be successful with these initiatives.

The financial statements have been prepared on the basis that the Company will continue to operate as a going concern, which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect adjustment in the carrying values of assets and liabilities reported, revenue or expenses and the balance sheet classification used that would be necessary if the going concern assumption was not appropriate. Such adjustment could be material.

Foreign Operations

Tethys' future operations and earnings will depend upon the results of Tethys' operations in the Republics of Kazakhstan. There can be no assurance that Tethys will be able to successfully conduct such operations, and a failure to do so would have a material adverse effect on Tethys' financial position, results of operations and cash flows. Also, the success of Tethys' operations will be subject to numerous contingencies, some of which are beyond management control. These contingencies include general and regional economic conditions, prices for crude oil and natural gas, competition and changes in regulation. Since Tethys is dependent on international operations, specifically those in Kazakhstan, Tethys will be subject to various additional political, economic and other uncertainties. Among other risks, Tethys' operations may be subject to the risks and restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim consolidated financial statements and notes thereto are prepared in accordance with accounting principles generally accepted in the United States of America using accounting policies consistent with those adopted by the Company in its consolidated financial statements for the year ended December 31, 2007. All tabular amounts are in thousands of U.S. dollars.

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the USA (US GAAP) which in most respects conform to accounting principles generally accepted in Canada (Canadian GAAP). The differences between US GAAP and Canadian GAAP that apply to the Company are explained in Note 18.
Because of the US GAAP different approach to the Ceiling Test that resulted in an impairment of US$12,800,000 in the Company's 2007 annual and consolidated financial statements there will be an ongoing difference in the DD&A charge in the accounts. The DD&A charge to the financial statements per Canadian GAAP will be higher resulting in lower Company profits.

Recently Adopted Pronouncements

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements."* This Statement replaces multiple existing definitions of fair value with a single definition, establishes a consistent framework for measuring fair value and expands financial statement disclosures regarding fair value measurements. This Statement applies only to fair value measurements that already are required or permitted by other accounting standards and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning subsequent to November 15, 2007. The Company adopted this Statement in the first quarter of 2008 and it did not have a material impact on its financial position or results of operations.

The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*," which permits an entity to measure certain financial assets and financial liabilities at fair value. The objective of SFAS No. 159 is to improve financial reporting by allowing entities to mitigate volatility in reported earnings caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting provisions. Under SFAS No. 159, entities that elect the fair value option (by instrument) will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option election is irrevocable, unless a new election date occurs. SFAS No. 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on its earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. The Company adopted this statement in the first quarter of 2008 and it did not have a material impact on its financial position or results of operations.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), —Business Combinations (—SFAS No. 141R), which replaces FASB Statement No. 141. SFAS No. 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 141R requires the acquiring Company to measure almost all assets acquired and liabilities assumed in the acquisition at fair value as of the acquisition date. SFAS No. 141R is effective for fiscal years beginning on or after December 15, 2008 (fiscal 2009 for the Company) and should be applied prospectively with the exception of income taxes which should be applied retrospectively for all business combinations. Early adoption is prohibited. The Company is in the process of evaluating the impacts, if any, of adopting this pronouncement.

In March 2008, the FASB issued SFAS No. 161, —Disclosures about Derivative Instruments and Hedging Activities, (—SFAS No. 161), an amendment to SFAS No. 133, —Accounting for Derivative Instruments and Hedging Activities.

SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement will be effective for the Company's interim and annual financial statements beginning in fiscal year 2010. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Company is in the process of evaluating the impacts, if any, of adopting this pronouncement.

NOTE 3 – PREPAYMENTS

Prepayments consisted of the following:

	March 31, 2008	December 31, 2007
Contractors	4,347	3,062
Other	565	351
Balance	4,912	3,413

Prepaid Contractors relate to a supplier who was paid in advance for materials and services related to the drilling of three wells on the Kul Bas contract together with initial payments on compressors and pipes that will constitute phase 2 of the Company's gas production from the Akkulka contract. Other prepayments primarily relate to prepaid insurance and other operating expense items.

NOTE 4 – RESTRICTED CASH

Restricted Cash at March 31, 2008 consisted of bank deposits with maturity dates of April 27, 2008 and December 28, 2008. These deposits have been placed to satisfy local Kazakhstan requirements in respect of asset retirement obligations.

NOTE 5 – VALUE ADDED TAX RECOVERABLE

Non-current VAT recoverable represents VAT on capital expenditures in Kazakhstan that is allowed as an offset against VAT on revenues.

NOTE 6 - CAPITAL ASSETS

Capital assets, net of accumulated depletion, depreciation and amortization ("DD&A") and impairment, include the following at March 31, 2008:

	Cost	Accumulated DD&A And Impairment	Net Capital Assets
Oil and Gas Properties			
Proved properties	40,701	(14,424)	26,277
Unproved properties	7,883	-	7,883
	48,584	(14,424)	34,160
Plant and Equipment			
Oil & Gas Equipment	4,161	-	4,161
Vehicles	898	(46)	852
Office equipment, furniture, fixtures and other	405	(52)	353
	5,464	(98)	5,366
	54,048	(14,522)	39,526

Capital assets, net of accumulated DD&A, include the following at December 31, 2007:

	Cost	*Accumulated* DD&A And Impairment	*Net* Capital Assets
Oil and Gas Properties			
Proved properties	39,727	(12,975)	26,752
Unproved properties	7,749	-	7,749
	47,476	(12,975)	34,501
Plant and Equipment			
Oil & Gas Equipment	2,057	-	2,057
Vehicles	579	(19)	560
Office equipment, furniture, fixtures and other	386	(32)	354
	3,022	(51)	2,971
	50,498	(13,026)	37,472

In addition to the depreciation charge on proved properties of $175,000 in the 2007 accounts an impairment adjustment of US$12,800,000 was required under the US GAAP ceiling test which was calculated on proved reserves only at the constant prices. The prices used in valuing the reserves were US$0.90 per Mcf for the existing Kyzyloi gas sales contract and US$3.38 per Mcf for future gas sales. Under Canadian GAAP an allowance would have been made for probable reserves and there would have been no need for the impairment adjustment.

Following the commencement of gas production from the Kyzyloi gas field on December 19, 2007 the Kyzyloi costs, included in the Proved Properties, have been depreciated on a unit of production basis.

Unproved property additions relate to activity being carried out in properties where as yet there are no proved reserves and at March 31, 2008 this consisted of the Kul Bas Exploration and Production Contract. A well drilling exploration program was initiated on the Kul Bas contract in the final quarter of 2007 but none had been completed by March 31, 2008.

In the period to March 31, 2008 US$ 123,360 was capitalized from G&A while in the year ended December 31, 2007 the amount was US$316,200.

Oil & gas Equipment includes construction in progress in relation to a drilling rig and as such this was not subject to depreciation.

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable consisted of the following at:

	March 31, 2008	December 31, 2007
Trade payables	1,064	1,182
Education fund obligations	206	206
Balance	1,270	1,388

Each of the Kyzyloi, Akkulka and Kul Bas contracts in Kazakhstan require that a sum equivalent to 1% of the capital expenditure incurred on the respective work programs is provided for the professional education of its Kazak personnel.

NOTE 8 – LONG TERM DEBT

	March 31, 2008	December 31, 2007
Long term debt	5,300	
Current portion of long term debt	780	-
Balance	4,520	-

On March 19, 2008 the Company announced that it had recently completed a financing arrangement for funds of US$5,300,000 to assist with the purchase of the rig by means of a 3-year loan with monthly payments of interest and capital and a final balloon payment. The interest payable on the borrowed funds is 12% per annum. In addition 795,000 warrants to purchase Tethys shares were also issued to the lenders with a term of 3 years and an exercise price of CAD$3.25. Fair value of these warrants at US$989,394 has been recognized as a finance charge. Lenders have security over the shares of Tethys Petroleum Inc. which has no other assets except the drilling rig. No corporate guarantees or security are being provided by Tethys. To March 31, 2008 Tethys has incurred US$3,757,800 of costs with respect to this rig.

The loan is to be repaid with monthly payments of interest and capital over a 36 month period and a final balloon payment at the end of this period. The balance of US$4,520,000 represents total payments due beyond March 2009.

Principal due within each of the next three years:

To March 31,	2009	780
	2010	879
	2011	3,641
		5,300

NOTE 9 – NON CURRENT LIABILITIES

Other non current liabilities relates to the accrual of Historic Costs due to the Government of Kazakhstan on the Kyzyloi contract in Kazakhstan. The total amount outstanding at March 31, 2008 was US$1,037,856 and this is to be paid in quarterly instalments between April 2008 and March 2014. The figure shown reflects the net present value of the US$1,037,856 using an interest rate of 10%.

NOTE 10 – ASSET RETIREMENT OBLIGATION

The asset retirement obligation is comprised of the following:

	March 31, 2008	December 31, 2007
Balance at beginning of the period	661	451
New obligations incurred	9	175
Accretion of expense	16	35
Balance at end of the period	686	661

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Kazakhstan and Tajikistan

For full details of the commitments in Kazakhstan and Tajikistan please refer to the Notes to the 2007 annual consolidated financial statements.

Drilling Rig

On October 16, 2007 Tethys placed an order for a new 2,000 horsepower (1,470 kN) ZJ70/4500L drilling rig from a Chinese supplier. This rig, which has a nominal drilling depth of 23,000 feet (7,000 metres), is due to be completed within 6 months. The rig will initially be transported to Akkulka for use on the Akkulka deep exploration program which is planned to commence in May/June 2008. It is planned that the rig will be operated by Tethys' current Kazakh drilling contractor under a management agreement. The rig would also be suitable for drilling on the potentially large prospects Tethys has identified in the Kulob area of Tajikistan over which Tethys is currently finalising a Production Sharing Agreement and where work is commencing under its Investment Operating Agreement. The cost of the rig and support equipment to be purchased is anticipated to be US$9,200,000 of which the Company paid the deposit of US$1,878,900 in October and a stage payment of the same amount in January 2008.

NOTE 12 – INCOME TAXES

Tethys and its domestic subsidiary Tethys Kazakhstan Limited have been granted exemption from Guernsey Income Tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and hence are liable for a payment of a Guernsey exemption fee at a fixed rate of US$1,000 (£600) per annum. With effect from January 1, 2008 Guernsey has restructured its tax regime and the standard rate of income tax for companies has moved to 0%. Tethys Petroleum Limited and Tethys Kazakhstan will therefore be taxed at the standard rate of 0%.

The Company has foreign subsidiaries based in the Republic of Kazakhstan where the statutory rate of income tax is 30% for all periods presented. No provision for income taxes have been provided in the consolidated financial information as Tethys's combined Kazakhstan subsidiaries recorded losses for all periods presented. Tethys's Kazakhstan subsidiaries had calculated the aggregate net operating losses carried forwards of US$2,377,000, US$77,000 and US$27,000 as at December 31, 2007, 2006 and 2005 respectively. Tethys' Kazakhstan net operating losses carried forwards expire from 2012 to 2014. Tethys' available net operating losses carried forwards may be used to offset future taxable income, if any, prior to their expiration. A deferred tax asset existed as at December 31, 2007, 2006 and 2005 but due to uncertainty in the realizability of these tax assets the Company recorded a full valuation allowance at the end of each of these periods.

Tethys' subsidiaries in Tajikistan would be subject to a statutory rate of income tax of 25%.

NOTE 13 – SHAREHOLDERS' EQUITY

	March 31, 2008	December 31, 2007
Ordinary Shares authorized	500,000,000	500,000,000
Shares issued and outstanding	45,116,696	45,116,696

No dividend has been declared or paid during the year ended December 31, 2007 or in the first quarter of 2008.

NOTE 14 – STOCK BASED COMPENSATION

The Company has adopted a stock incentive plan referred to as the "2007 Long Term Stock Incentive Plan" pursuant to which the Company may grant stock options to any director, employee or consultant of the Company, or any subsidiary or Vazon (collectively, "Service Providers"). The purpose of the plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by Service Providers who, in the judgment of the Board of Directors, will be largely responsible for its future growth and success.

The maximum number of Ordinary Shares reserved for issuance under the plan equals 10% of the outstanding Ordinary Shares after giving effect to the Treasury Offering. The plan is administered by the Compensation and Nomination Committee of the Board of Directors. Options may be granted pursuant to recommendations of the Compensation and Nomination Committee. The Compensation and Nomination Committee may determine the vesting schedule and term, provided that options may not have a term exceeding ten years. Subject to any resolution passed by the Compensation and Nomination Committee, options will terminate three months after an optionee ceases to be a Service Provider.

The exercise price of options granted under the plan may not be less than the closing price of Ordinary Shares on the principal stock exchange where the Ordinary Shares are listed as of the date of the option grant. The plan contains amendment provisions which allow amendments to the plan by the Board of Directors, without shareholder approval, for amendments of a "housekeeping" nature, changes to vesting or termination provisions, and discontinuance of the plan. The plan also provides that outstanding options will vest immediately on the occurrence of a "change of control" (as defined in the plan). Options granted under the plan are only assignable to certain related entities of an optionee or otherwise with the consent of the Company.

The plan does not contain any restriction on the number of Ordinary Shares which may be reserved for issuance in respect of options granted to insiders under the plan or pursuant to any other share compensation arrangement. Accordingly, amendments to the plan and other compensation arrangements of the Company which require approval of shareholders will require approval of disinterested shareholders for as long as the number of Ordinary Shares reserved for issuance under the options or other share compensation arrangements exceeds 10% of the outstanding Ordinary Shares and the plan or share compensation arrangements do not limit the participation of insiders to 10% of outstanding Ordinary Shares.

The Company has approved the grant to its executive officers of warrants (the "Performance Warrants") to acquire 6,767,504 Ordinary Shares. The Performance Warrants will be exercisable at US$4.125 through the period ending December 25, 2009 in respect of 1,353,501 Ordinary Shares, US$5.50 through the period ending June 25, 2011 in respect of 2,255,835 Ordinary Shares, and US$6.875 through the period ending December 25, 2012 in respect of 3,158,168 Ordinary Shares.

Quarterly Activity

Stock options – The following table summarizes the stock option activity under the 2007 Long Term Stock Incentive Plan for the three months ended March 31, 2008.

	Number of Options	Weighted average Exercise Price	Aggregate Intrinsic value Thousands	Weighted Average Remaining Term (in years)
Outstanding at December 31, 2007	4,497,000	$2.76		
Granted	-	N/A		
Forfeited	(36,000)	$2.75		
Exercised	-	N/A		
Expired	-	N/A		
Outstanding at March 31, 2008	4,461,000	$2.76	$217	6.26
Exercisable at March 31, 2008	1,487,000	$2.76	$72	6.26

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's stock price on March 31, 2008 and the exercise price, multiplied by the number of in-the-money options) that

would have been received by the option holders if all option holders had exercised their options on March 31, 2008. This amount changes based on the fair market value of the Company's stock.

For the three months ended March 31, 2008, there was $572 thousand of pretax compensation expense for options granted under the 2007 Long Term Stock Incentive Plan. As of March 31, 2008, there was $2.9 million of total unrecognized compensation expense related to unvested stock options granted under the plan. The Company expects to recognize the expense over a weighted-average period of 1.26 years.

Warrants - The following table summarizes the warrant activity, including Performance Warrants, for the three months ended March 31, 2008.

	Number of Warrants	Weighted average Exercise Price	Aggregate Intrinsic value (thousands)	Weighted Average Remaining Term (in years)
Outstanding at December 31, 2007	8,857,504	$5.07		
Granted	795,000	$3.25		
Forfeited	-	N/A		
Exercised	-	N/A		
Expired	-	N/A		
Outstanding at March 31, 2008	9,652,504	$4.92	$627	4.78
Exercisable at March 31, 2008	9,652,504	$4.92	$627	4.78

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's stock price on March 31, 2008 and the exercise price, multiplied by the number of in-the-money warrants) that would have been received by the warrant holders if all warrant holders had exercised their warrants on March 31, 2008. This amount changes based on the fair market value of the Company's stock.

During the three months ended March 31, 2008, there were 795,000 warrants issued in connection with loan financing. These warrants were non-compensatory but as of March 31, 2008, there was a finance expense related to these vested warrants of US$980,394

NOTE 15 - NET LOSS PER COMMON SHARE

Basic net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the applicable period. Diluted per share information is calculated, including the dilutive effect of stock options which are determined using the treasury stock method. The treasury stock method assumes that the proceeds that would be obtained upon exercise of "in the money" options would be used to purchase common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of this calculation is anti-dilutive.

NOTE 16 - RELATED PARTY TRANSACTIONS

Vazon Energy Limited 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 Energy that came into effect from June 27th, 2007 whereby the services of Dr. Robson, Ms. Landles (Corporate Secretary and Executive Vice President) and other Vazon Energy employees are provided to the Company. A monthly fee is paid for the services of Dr Robson, a separate monthly fee for other Vazon employees and an invoice for all other services and costs is to be issued to Tethys at the end of each month. The total costs charged to Tethys by Vazon in the three months to March 31, 2008 were US$321,300.

Transactions with affiliates or other related parties including management of affiliates are to be undertaken on the same basis as third party arms-length transactions. Transactions with affiliates are reviewed and voted on solely by non-interested directors.

NOTE 17 – SUBSEQUENT EVENTS

On April 24th, 2008 it was announced that the Company's wholly owned subsidiary, Tethys Europa B.V. ("Tethys Europa") had signed a Memorandum of Understanding (the "MOU") with Halyk Finance on behalf of Closed Mutual Investment Fund Halyk Perspectiva ("Halyk Perspectiva") concerning the Rostoshinskoe gas discovery in Kazakhstan. The MOU outlines the willingness of Halyk Perspectiva to grant an option (the "Option") in favour of Tethys Europa for the acquisition of up to 50% of the interest in the rights to explore and produce hydrocarbons from the Rostoshinskoe field located in the Zelenovsky region of Western Kazakhstan, approximately 15 km from the City of Oral on the northern edge of the Pre-Caspian basin and to the west of the Karachaganak gas condensate field. The MOU gives Tethys Europa until July 1, 2008 to negotiate the terms of the Option. The MOU contemplates that Tethys Europa would commission McDaniel & Associates Consultants Ltd. to carry out a further assessment of and to prepare a report in respect of the reserves for the Rostoshinskoe Property. It is intended that the report will be finalised by June 15, 2008.

At the Company's Annual General Meeting (AGM) on April 24th, 2008 a special resolution was approved authorizing the Company to move its domicile from Guernsey to The Cayman Islands.

At the AGM it was further resolved that the authorized share capital of the Company be increased from US$50,000,000 to US$75,000,000 by the creation of 200,000,000 Ordinary Shares of US$0.10 each, each ranking pari passu in all respects with the existing ordinary shares of US$0.10 in the Company and 50,000,000 preference shares of US$0.10 each having the rights more particularly set out in the draft Memorandum and Articles of Association circulated with the AGM documentation.

NOTE 18 – CANADIAN ACCOUNTING PRINCIPLES AND REPORTING

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the USA (US GAAP) which in most respects conform to accounting principles generally accepted in Canada (Canadian GAAP). The differences between US GAAP and Canadian GAAP that apply to the Company are explained in this note.

Reconciliation between US GAAP and Canadian GAAP

Under US GAAP regulations only proved reserves are included in the ceiling test and consequently the Company had to record an impairment in its 2007 accounts of US$ 12,800,000. Under Canadian GAAP where probable reserves can also be included in the ceiling test this impairment would not have been necessary.

RECONCILIATION OF NET EARNINGS BETWEEN US GAAP AND CANADIAN GAAP

	March 31, 2008	March 31, 2007
Net Loss and Comprehensive Loss for the period under US GAAP	(4,701)	(2,321)
Add :		
Increased DD&A on Proved Properties	(539)	-
Net Loss and Comprehensive Loss for the period under Canadian GAAP	(5,240)	(2,321)
Basic and diluted loss per share under Canadian GAAP	($0.12)	($0.14)

CONSOLIDATED STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT – CANADIAN GAAP

	March 31, 2008	March 31, 2007
Operating Revenue	1,431	-
Expenses		
Operating expenses	67	-
Selling, general & admin expense	3,765	1,663
Depreciation, depletion & amortization	2,035	14
Other	804	644
Net Loss and Comprehensive Loss for the period under Canadian GAAP	(5,240)	(2,321)
Income Tax	-	-
Net Loss and Comprehensive Loss after tax for the period under Canadian GAAP	(5,240)	(2,321)
Deficit – Beginning of the period	(38,825)	(9,846)
Deficit – End of period	(44,065)	(12,167)

CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2008	December 31, 2007
Assets		
Current Assets	26,557	28,052
Non Current Assets	7,463	6,132
Plant & Equipment	54,048	50,498
Depreciation, depletion & amortization	(2,261)	(226)
Total Assets	85,807	84,456
Liabilities and Stockholder Equity		
Current Liabilities	2,795	2,279
Non Current Liabilities	5,960	1,437
Total stockholder equity	77,052	80,740
Total liabilities and stockholder equity	86,807	84,456

RECENTLY ADOPTED STANDARDS – CANADIAN GAAP

"Inventories", Section 3031. This new standard replaces the previous standard in Section 3030 and establishes standards for the measurement and disclosure of inventories. The adoption of this standard has had no material effect on the Company's consolidated financial statements.

"Capital Disclosures", Section 1535. This new standard requires the Company to disclose its objectives, policies and processes for managing capital.

"Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862, which replaced Section 3861.

RECENT ACCOUNTING PRONOUNCEMENTS – CANADIAN GAAP

In January 2006 the Accounting Standards Board ("AcSB") adopted a strategic plan for accounting standards in Canada. In February 2008 the AcSB confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP effective January 1, 2011. The Company is assessing the potential impacts of this transition and developing a plan accordingly.

In February 2008 the CICA issued Section 3064, "Goodwill and Intangible Assets" which will replace Section 3062 and be effective January 1, 2009. This new standard revises the criteria for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company is currently assessing the impact of these new recommendations.

Capital Disclosures

The Company's objectives when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Company is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure in the future, adjustments may be made to the amount of dividends (if any) to shareholders and the amount of capital returned to shareholders, in addition to the amount of new shares issued. Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms and to overall balance creation of value for shareholders with the management of risk associated with debt.

The Company's capital structure is comprised of shareholders' equity and a loan from a number of accredited private investors (including the current portion) and is monitored by using a non-GAAP financial metric of Net Debt to Capitalization. As Net Debt is calculated as the sum of the loan (including the current portion) less cash and cash equivalents there was no Net Debt at March 31, 2008 as the cash and cash equivalents significantly exceeded the loan. The Company had no loans as at December 31, 2007.

Financial Instruments and Risk Management

Financial Risks

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks, credit risks and liquidity risks. The nature of these risks has not changed significantly from the prior period ended December 31, 2007.

Market Risk
Market risk is the risk that changes in market prices such as interest rates and commodity prices will affect the Company's operating income or the value of its financial instruments.

Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The loan from private investors is a fixed rate facility and so has no exposure to changes in market interest rates.

Commodity Price Risk
Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Company's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas. The current contract for existing sales with Kazakhstani Petrochemical Company Kemikal LLP is a fixed price contract and so there is no current exposure to Price Risk.

Foreign Currency Exchange
The Company's operations and expenditures are to some extent paid in foreign currencies. As a result, the Company is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency could result in a material adverse effect on the Kazakhstan cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan to foreign

entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Kazakhstan will not be imposed in the future. Amendments to current taxation laws and regulations which alter tax rates and/or capital allowances could have a material adverse impact on Tethys.

To the extent revenues and expenditures denominated in or strongly linked to the U.S. dollar are not equivalent; the Company is exposed to exchange rate risk. The Company is exposed to the extent U.S. dollar revenues do not equal U.S. dollar expenditures. In addition, a portion of expenditures in Kazakhstan are denominated in Tenge, which are difficult to hedge. The Company is not currently using exchange rate derivatives to manage exchange rate risks but is attempting to negotiate exchange rate stabilization conditions in new local Tenge denominated service and supply contracts in Kazakhstan. In addition, the Company's results will be reported in U.S. dollars and foreign currency denominated monetary balances could result in gains and losses that may increase the variability of earnings. Moreover, the Company's ordinary shares trade in Canadian dollars on the TSX.

Credit Risk
Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to the Company. This relates primarily to the Company's trade accounts receivable.

The Company has only recently commenced production and revenue generation and currently has only one customer, which is unlikely to change in the immediate future. While this customer is considered credit worthy the level of debt will be carefully monitored and appropriate action taken if the debt exceeds sixty days.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Company seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

The only liabilities the Company had at March 31, 2008 that exceeded one year are the loan of US$5,300,000 payable over three years and the Historic Costs on the Kyzyloi contract of US$1,039,000 payable in quarterly instalments up to March 2014.

Fair Value of Financial Assets and Liabilities

The Company's cash and cash equivalents are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable, accrued liabilities and the loan from accredited private investors are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The fair value of obligations under the loan approximate their carrying values as the interest rates applicable to these instruments reflect current market rates. Financing costs relating to all financial instruments are expensed as incurred.

NOTE – 19 COMPARATIVES

Certain prior periods' amounts have been reclassified to conform to the current period's presentation.