Interim Financial Information
(Unaudited)
March 31, 2013

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.**

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

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

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

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

For and on behalf of the Board

Dr D. Robson	***B. Murphy***
Executive Chairman	Chief Financial Officer
May 15, 2013	May 15, 2013

Tethys Petroleum Limited

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

	Note	As at March 31, 2013 $'000	December 31, 2012 $'000
Non-current assets			
Property, plant and equipment	7	117,570	121,097
Intangible assets	8	107,587	107,374
Restricted cash		1,561	1,543
Prepayments and other receivables		5,518	6,444
Investment in jointly controlled entity		1,116	1,116
		233,352	237,574
Current assets			
Inventories		1,233	2,046
Trade and other receivables		7,766	7,703
Loan receivable from jointly controlled entity	9	2,710	2,403
Cash and cash equivalents		1,358	1,750
Restricted cash	10	477	477
		13,544	14,379
Total assets		246,896	251,953
Equity attributable to shareholders			
Share capital	13	28,678	28,671
Share premium	13	306,770	306,725
Other reserves		42,066	41,705
Accumulated deficit		(169,614)	(165,385)
Non-controlling interest	18	8,339	8,437
Total equity		216,239	220,153
Non-current liabilities			
Financial liabilities - borrowings	11	5,359	3,688
Deferred taxation	5	3,643	2,912
Trade and other payables		298	351
Asset retirement obligations		583	524
		9,883	7,475
Current liabilities			
Financial liabilities - borrowings	11	10,526	13,625
Derivative financial instruments - warrants	12	1,405	523
Deferred revenue		99	1,713
Trade and other payables		8,275	8,231
Current tax		469	233
		20,774	24,325
Total liabilities		30,657	31,800
Total shareholders' equity and liabilities		246,896	251,953
Commitments and contingencies	16		

The notes on pages 6 to 24 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 15, 2013 and were signed on its behalf.

Dr. D. Robson
Executive Chairman

B. Murphy
Chief Financial Officer

Tethys Petroleum Limited

Condensed Consolidated Statement of Comprehensive Income
(Unaudited)
For the three months ended March 31, 2013
(in US Dollars)

	Note	2013	2012
		$'000	**$'000**
	2		**(re-presented)**
Sales and other revenues		12,553	6,487
Total revenue and other income		12,553	6,487
Sales expenses		(645)	-
Production expenses		(4,062)	(2,910)
Depreciation, depletion and amortisation		(4,979)	(3,036)
Business development expenses		(502)	(373)
Administrative expenses		(4,670)	(4,797)
Share based payments	4	(331)	(603)
Foreign exchange gain / (loss) ï net		131	(64)
Fair value loss on derivative financial instrument		(430)	(896)
Profit/ (loss) from jointly controlled entity		257	(62)
Net finance costs		(682)	(454)
Loss before taxation		**(3,360)**	**(6,708)**
Taxation	5	(967)	(140)
Loss for the period		**(4,327)**	**(6,848)**
Loss attributable to:			
Shareholders		(4,229)	(6,748)
Non-controlling interest		(98)	(100)
Loss for the period		**(4,327)**	**(6,848)**
Basic and diluted	6	(0.01)	(0.02)

No dividends were paid or declared for the period (2012 ï $Nil).

The notes on pages 6 to 24 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, 2013
(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, 2012		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**
Comprehensive loss for the period		-	-	(13,675)	-	-	(381)	(14,056)
Transactions with shareholders								
Issue of warrants		-	-	-	-	25	-	25
Share-based payments		-	-	-	2,508	-	-	2,508
Total transactions with shareholders		-	-	-	2,508	25	-	2,533
Balance at December 31, 2012		**28,671**	**306,725**	**(165,385)**	**25,113**	**16,592**	**8,437**	**220,153**
Comprehensive loss for the period		-	-	(4,229)	-	-	(98)	(4,327)
Transactions with shareholders								
Share-based payments		-	-	-	352	-	-	352
Issue of warrants		-	-	-	-	9	-	9
Exercise of warrants		7	45	-	-	-	-	52
Total transactions with shareholders		7	45	-	352	9	-	413
Balance at March 31, 2013		**28,678**	**306,770**	**(169,614)**	**25,465**	**16,601**	**8,339**	**216,239**

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

The notes on pages 6 to 24 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, 2013
(in US dollars)

	Note	2013 $'000	2012 $'000
Cash flow from operating activities			
Loss before taxation for the period		(3,360)	(6,708)
Adjustments for			
Share based payments		331	603
Net finance cost		682	454
Depreciation, depletion and amortization		4,979	3,036
Fair value loss on derivative financial instrument		430	896
Net unrealised foreign exchange (gain) / loss		(48)	35
Profit / (loss) from jointly controlled entity		(257)	62
Deferred revenue		(1,614)	(509)
Net change in non-cash working capital	15	1,419	(1,562)
Net cash generated / (used) in operating activities		2,562	(3,693)
Cash flow from investing activities			
Interest received		50	88
Expenditure on exploration and evaluation assets		(234)	(995)
Expenditures on property, plant and equipment		(1,030)	(214)
Investment in restricted cash		(18)	261
Investment in jointly controlled entity		-	(3)
Movement in advances to construction contractors		42	367
Value added tax receivable		884	57
Net change in non-cash working capital	15	(945)	(1,279)
Net cash (used) in investing activities		(1,251)	(1,718)
Cash flow from financing activities			
Proceeds from issuance of borrowings, net of issue costs		737	5,826
Repayment of borrowings		(1,862)	(6,615)
Interest paid on long-term borrowings and other non-current payables		(561)	(204)
Proceeds from issuance of equity, net of issue costs		48	-
Other non-current liabilities		(71)	(74)
Net cash (used) in financing activities		(1,709)	(1,067)
Effects of exchange rate changes on cash and cash equivalents		6	(88)
Net decrease in cash and cash equivalents		(392)	(6,566)
Cash and cash equivalents at beginning of the period		1,750	10,746
Cash and cash equivalents at end of the period		1,358	4,180

The notes on pages 6 to 24 form part of these condensed consolidated interim financial statements.

1 General information

The principal executive office of Tethys Petroleum Limited and its subsidiaries (collectively ñTethysò or ñthe Companyò) is in Guernsey, British Isles. The domicile of Tethys Petroleum Limited is the Cayman Islands, where it is incorporated. The address of the Companyôs 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. Tethysô 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 ñInterim Financial Reportingò and the requirements of the Disclosure and Transparency Rules (ôDTRõ) of the Financial Services Authority (ôFSAõ) 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, 2012.

Changes in presentation

From January 1, 2012, the Company re-classified the administrative costs associated with two of its subsidiaries to business development expenses in the consolidated statement of comprehensive income. The comparative information has been reclassified to conform to the current presentation. The amount re-classified from administrative costs to business development during the first quarter of 2012 was $188,872. 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.

New accounting policies

From January 1, 2013, the Company adopted a new accounting policy with respect to its sales expenses. Sales expenses represent agent commissions paid in relation to securing its gas sales contracts.

Going concern

The directors have considered the Companyôs current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the Companyôs unaudited condensed consolidated interim financial statements in concluding whether it is appropriate to adopt the going concern basis in preparing the unaudited condensed consolidated financial statements for the three months ended March 31, 2013. The Companyôs activities, together with the factors likely to affect its future development, performance and position are set out in the Management Discussion & Analysis document. The financial position of the Company, its cash flows and liquidity position are as set out in the unaudited condensed consolidated financial statements and discussed further in the Management Discussion & Analysis document. The Company reports a loss for the three months ended March 31, 2013 of USD4.3 million (2012: USD6.8 million) and has net current liabilities of USD7.2 million as at March 31, 2013. As at April 30, 2013, the Company held cash of USD3.9 million. Existing oil trucking operations have also recently been disrupted as a result of the winter weather conditions and increased rail tariffs in Kazakhstan which reduced the forecast sales revenue but the Company anticipates this to be resolved in May 2013.

Phases 1 and 2 of the AOT rail terminal at Shalkar have been completed (though Phase 2 is still subject to State Commission approval) which, following the installation of two 1,000 cubic metre tanks (approximately 12,500 barrels), associated dehydration and pumping equipment, allows an increase in throughput capacity from 4,200 barrels of oil per day up to 6,300 bopd. The terminal will cope comfortably with the production levels of 4,000 bopd, which the Company believes will be sufficient to generate adequate levels of cash to fund its ongoing activities and its current capital expenditure plans and our cash flow forecasts have been based on 3,800 bopd.

Also the Company through its Kazakh subsidiary had reached agreement on an USD16.0 million (KZT 2,460 million) funding facility. This facility was provided to Tethys Aral Gas (ñTAGò) by a Kazakh bank via its partners in Kazakhstan, and was available to fund capital expenditures in Kazakhstan. While the funds were initially provided in the form of a loan this was subsequently changed in January 2013 to be on an advanced payment of sales basis. An initial USD3.5 million of this facility was drawn down in June 2012 with further monthly drawdowns in the period September to December 2012 resulting in a total of USD8.9 million at the end of the year. A further USD4.0 million was drawn down in April 2013 under the revised agreement (refer to note 19).

The Company is currently adopting a prudent approach to cash management and will proceed with such projects when certain milestones have been met and adequate funding is available. Discussions have also been initiated with regard to reserve based lending and on other corporate and project related financing options. Discussions are ongoing with a number of banks which could see the Company adding to or replacing the existing Kazakh loan.

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

On October 26, 2012, the Company announced that Kulob Petroleum Limited, its subsidiary, which is the Contractor party to the Bokhtar Production Sharing Contract in Tajikistan, had signed a MOU to execute a farm-out agreement (ñFOAò) on the PSC. This was followed on December 21 2012 when it was announced that the Company had signed a FOA with subsidiaries of Total S.A. and the China National Oil and Gas Exploration and Development Corporation. Should this FOA go ahead then the Company cash flow would be boosted by a sum of approximately USD60 million. It is expected that this FOA will close in 2Q 2013 and these funds will be received in that period.

The Directors have examined these matters to form a view on the Companyôs 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 consolidated financial statements.

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 Kul-bas field. 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 a corporate segment which acquired a number of drilling rigs and related oil and gas equipment which are utilised in Kazakhstan, Tajikistan, and Uzbekistan according to operational requirements.

The segment results for the three months ended March 31, 2013 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Refined product sales	-	-	2,079	-	2,079
Gas sales	2,323	-	-	-	2,323
Oil sales	7,654	409	-	-	8,063
Other income	73	-	-	15	88
Other operating income	-	-	-	918	918
Segment revenue and other income	**10,050**	**409**	**2,079**	**933**	**13,471**
Inter-segment revenue	-	-	-	(918)	(918)
Segment revenue and other income from external customers	**10,050**	**409**	**2,079**	**15**	**12,553**
Profit from jointly controlled entity	257	-	-	-	257
Profit / (loss) / profit before taxation	**1,750**	**(583)**	**469**	**(4,996)**	**(3,360)**
Taxation	(854)	-	(113)	-	(967)
Profit / (loss) / profit for the period	**896**	**(583)**	**356**	**(4,996)**	**(4,327)**

Borrowing costs of $5,399 and $14,420 were capitalised in the Tajik and Kazakh segments respectively, during the period.

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 assets at March 31, 2013 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	136,782	87,219	6,071	16,824	246,896
Cash expenditure to exploration & evaluation assets, property, plant and equipment	604	421	239	-	1,264

The segment assets at December 31, 2012 and capital expenditures for the three months ended 31 March, 2012 are as follows:

	Kazakhstan $'000	Tajikistan $'000	Uzbekistan $'000	Other and Corporate $'000	Interim consolidated $'000
Total assets	138,510	87,075	6,815	19,553	251,953
Cash expenditure to exploration & evaluation assets, property, plant and equipment	230	895	83	1	1,209

4 Share-based payments

Share options

Full details of the share options and stock incentive plan are outlined in the Companyȏs annual consolidated financial statements for the year ended December 31, 2012. 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, 2013 and March 31, 2012.

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2013	33,864,000	1.35
Forfeited	(60,000)	0.81
Expired	(105,000)	1.09
Outstanding at March 31, 2013	33,699,000	1.35
Exercisable at March 31, 2013	28,161,000	1.46

	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

A charge for the value of services of $352,026 (2012 - $633,896) was recorded for the period, of which $20,633 (2012 ï $31,170) was capitalised in accordance with the companyõs time writing policy.

Warrants

The following tables summarize the warrant activity for the period ended March 31, 2013 and March 31, 2012.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2013	2,254,538	2.39
Granted	31,850	0.69
Expired	(64,500)	0.84
Outstanding at March 31, 2013	2,221,888	2.41
Exercisable at March 31, 2013	2,221,888	2.41
Outstanding at January 1, 2012	5,248,168	5.14
Granted	64,500	0.84
Outstanding at March 31, 2012	5,312,668	5.08
Exercisable at March 31, 2012	5,312,668	5.08

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 31,850 and 64,500 warrants granted above were issued in connection with commissions payable to brokers with respect to 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, 2013 $'000	**December 31, 2012 $'000**
Capital Assets	4,261	1,861
Tax losses	(1,077)	(582)
Other	459	1,633
Net deferred tax liability	3,643	2,912

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

	March 31, 2013 $'000	**March 31, 2012 $'000**
Loss before income taxes	(3,360)	(6,708)
Income tax rate	20%	20%
Expected income tax (recovery)	(672)	(1,342)
Increase / (decrease) resulting from:		
Non-deductible expenses	67	217
Impact of effective tax rates in other foreign jurisdictions	905	780
Losses and tax assets not utilised/recognised	306	128
Prior year true-ups	370	-
Other	(9)	357
	967	140
Current income tax expense	235	144
Deferred tax (recovery) / expense	732	(4)
	967	140

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, 2013			
Loss attributable to ordinary shareholders ï Basic and diluted	(4,229)	286,783	(0.01)
Three months ended March 31, 2012			
Loss attributable to ordinary shareholders ï Basic and diluted	(6,748)	286,698	(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, 2012					
Cost	144,243	25,337	2,681	2,071	174,332
Accumulated depreciation	(43,076)	(6,952)	(2,077)	(1,130)	(53,235)
Net book amount	101,167	18,385	604	941	121,097
Period ended March 31, 2013					
Opening net book amount	101,167	18,385	604	941	121,097
Additions	1,098	-	36	16	1,150
Depreciation charge	(4,207)	(225)	(145)	(100)	(4,677)
Closing net book amount	98,058	18,160	495	857	117,570
At March 31, 2013					
Cost	145,341	25,337	2,717	2,087	175,482
Accumulated depreciation	(47,283)	(7,177)	(2,222)	(1,230)	(57,912)
Net book amount	98,058	18,160	495	857	117,570
Assets under construction at net book amount included in above:					
At March 31, 2013	27,725	-	-	-	27,725
At December 31, 2012	27,202	-	-	-	27,202

8 Intangible assets

	Other intangible asset $'000	Exploration and evaluation assets $'000	Total $'000
At December 31, 2012			
Cost	5,553	105,973	111,526
Accumulated amortisation and impairment	(4,152)	-	(4,152)
Net book amount	1,401	105,973	107,374
Period ended March 31, 2013			
Opening net book amount	1,401	105,973	107,374
Additions	-	251	251
Amortisation	(38)	-	(38)
Closing net book amount	1,363	106,224	107,587
At March 31, 2013			
Cost	5,553	106,224	111,777
Accumulated amortisation and impairment	(4,190)	-	(4,190)
Net book amount	1,363	106,224	107,587

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, 2013	December 31, 2012
Balance, beginning of year	2,403	2,013
Share of profit	258	191
Finance income on loan receivable (at market rate)	49	199
Balance, end of period / year	2,710	2,403

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 a security against 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, 2013 $'000**	**December 31, 2012 $'000**
Current				
Rig loans ï Option A	19.95% p.a.	2013/14	5,212	5,637
Rig loans ï Option B	19.54% p.a.	2013/14	2,769	1,711
Kazakh loan	16.47% to 16.56% p.a.	2013	2,545	6,277
			10,526	13,625
Non-current				
Rig loans ï Option B	19.54% p.a.		-	1,311
Kazakh loan	16.47% to 16.56% p.a.	2016	5,359	2,377
			5,359	3,688
Total			15,885	17,313

Rig loans

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. 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, 2013, a total of 7,586,051 warrants had 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.

The Company has recorded a total discount to the $10 million loan in the amount of $1,031,779 based on the relative fair value of the warrants. The loan was then amortised using the effective interest rate method. Lenders have security over the shares of Imperial Oilfield Services Limited which has no other assets except the drilling rigs and associated equipment.

During December 2012, following the agreement of all loan holders, Tranche 1 Option A loan holders with loans maturing in December 2012 rolled over their loans for a further period of one year. In February and March 2013, Tranche 2 and Tranche 3 Option A loan holders with loans maturing in February and March 2013 also rolled over their loans for a further period of one year.

The original loans were de-recognised and the new loans were recognised at fair value. Associated warrants were re-issued at exercise prices of CAD0.64, CAD0.71 and CAD0.92. Furthermore, extensions of warrant expiry dates were granted to all loan holders, except two officers of the company who were re-issued with warrants upon expiry of the original warrants.

<u>Kazakh loan</u>
On June 29, 2012 the Company announced that it had secured a loan facility from a Kazakh bank to fund capital expenditures in Kazakhstan (the ñbank loan facilityò).

The bank loan facility was arranged by Eurasia Gas Group LLP, with the Companyôs consent, and is a bank loan to Eurasia Gas Group LLP, the Companyôs joint venture partner in Aral Oil Terminal LLP, whereby Eurasia Gas Group LLP draws down on the bank loan facility entirely at the direction and discretion of the Company and funds are transferred to the Companyôs subsidiary. TAG. The bank loan facility has a term of up to four years depending on the Companyôs requirements and bears an interest rate of between 12% and 15% per annum on sums drawn down.

A formal loan agreement was signed with Eurasia Gas Group LLP for 2.35 billion KZT with a drawdown period of one year from the date of first drawdown (May 31, 2012). Repayment and interest terms are agreed for each drawdown, upon drawdown.

In January 2013, the Kazakh loan arrangement was terminated and replaced by way of an arrangement whereby funds are advanced to the Company and repaid as a deduction against oil revenue. Terms of the arrangement are principally the same (i.e. the principal repayment to be completed by April 2016 with monthly repayments of both principal and interest) and therefore under IFRS, the amounts advanced continue to be treated as a loan.

As at March 31, 2013, 1.335 billion KZT ($8.9 million) of funds had been advanced to the Company in relation to the loan agreement, with a remaining repayment period over 3 years and monthly repayments of both principal and interest (at a weighted average effective interest rate of 14.92%).

In case oil production is suspended for more than 30 days, the outstanding amount is to be repaid to Eurasia Gas Group LLP within 30 days from the receipt of its notice of return.

Certain assets have been pledged by both TAG and AOT as security for the above-mentioned bank loan facility which represents a financial guarantee to the Company. The value of this guarantee has been assessed as nil, primarily due to the credit worthiness of Eurasia Gas Group LLP.

12 Derivative financial instruments - warrants

	March 31, 2013 $'000	December 31, 2012 $'000
Balance, beginning of year	523	264
Issued	460	778
Fair value loss on extension of warrants	-	233
Fair value loss / (gain)	426	(752)
Exercised	(4)	-
Balance, end of year	1,405	523

The following table summarizes the warrant activity for the years ended March 31, 2013 and March 31, 2012.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2013	5,775,000	0.81
Granted	1,811,051	0.78
Exercised	(75,000)	0.65
Outstanding at March 31, 2013	7,511,051	0.81
Exercisable at March 31, 2013	7,511,051	0.81

	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

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

Of the warrants outstanding and exercisable at the end of the period, 392,620 (2012 ï 307,620) relate to warrants granted to the Companyòs officers.

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, 2013 Number	December 31, 2012 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, 2012	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 December 31, 2012	286,707,744	28,671	306,725
Issued during the period in connection with the exercise of warrants	75,000	7	45
At March 31, 2013	286,782,744	28,678	306,770

14 Related party transactions

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

Vazon Energy Limited

Vazon Energy Limited (ñVazonò) is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, Executive Chairman and President, 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, 2013 was $458,352 (March 31, 2012 ï $799,581). As at the date of these consolidated financial statements, the services of Dr.Robson and only two other Vazon employees are provided to the Company. The remainder of the employees previously employed by Vazon were transferred to Tethys Services Guernsey Limited during the last quarter of 2012.

On June 13, 2012, the Company and Vazon amended the Deed of Guarantee and Indemnity dated December 10, 2009, between the two companies, whereby the Company guarantees to indemnify Vazon for certain payments related to the management services provided by Vazon under the management services contract.

The guarantee comprises a charge over the assets of one of the Companyôs subsidiaries, Tethys Tajikistan Limited (ñTTLò), equalling amounts owing under the management services contract from time to time. At March 31, 2013, the amount owed to Vazon by the Company was $116,653.

<u>Oilfield Production Consultants</u>

Oilfield Production Consultants (OPC) Limited and Oilfield Production Consultants (OPC) USA LLC have one common director with the Company. Total fees for the three months ended March 31, 2013 were $nil (2012 ï $nil). OPC participated in the 2011 loan financing described in note 11, 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. As a result of agreeing to the rollover, discussed in note 11, the term of the warrants was extended which did not result in any change in fair value.

<u>Related party transactions with key management personnel</u>

Two officers of the Company participated in the 2011 loan financing described in note 11 for which they received 75,000 and 232,620 warrants at a fair value of $6,143 and $21,983 respectively. Loans advanced were $150,000 and GBP300,000 respectively and were rolled over upon maturity of their one year term for a further term of one year under the same conditions and terms afforded to non-related parties, except that the warrants originally issued were not extended. Upon rollover, there was a re-issue of 75,000 and 232,620 warrants were issued at a fair value of $2,940 and $25,891 respectively.

On July 6, 2012, Ambassador Khalilzad was appointed a director of the Company. His company, Khalilzad Associates provides consultancy services with respect to business development. Total fees for these services amounted to $15,000 for the three months ended March 2013.

Dr. David Robson has a close family member employed by the Company on standard terms and conditions.

During 2012, an interest bearing loan of GBP32,278 was advanced to a Board Director at an interest rate of 3%. The loan was repaid in January 2013.

Two further non-interest bearing loans of $50,960 and $76,251 have been advanced to two officers during 2012 for relocation costs. Balances outstanding at March 31, 2013 were $21,368 and $31,772 respectively (2012 ï nil and $17,754).

15 Changes in working capital

	Three months ended March 31, 2013 $'000	2012 $'000
Trade and other receivables	(63)	(366)
Inventories	813	(48)
Trade and other payables	44	(2,421)
Change in non-cash working capital	794	(2,835)
Non-cash transactions	(320)	(6)
Net changes in non-cash working capital	474	(2,841)

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

	Three months ended March 31, 2013 $'000	2012 $'000
Operating activities	1,419	(1,562)
Investing activities	(945)	(1,279)
Balance	474	(2,841)

16 Commitments and contingencies

Kazakhstan

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.

Kyzyloi Production Contract

A work program for 2013 has been agreed at $2,519,000, against which payments of $527,214 have been made to date.

Akkulka Exploration Contract

Work programs for 2013 to end of March 2015 have been agreed totalling $27,277,000, against which payments of $2,396,323 have been made to date.

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. A work program for 2013 has been agreed at $4,200,000, against which payments of $25,952 have been made to date.

17 Operating leases

Leases as a lessee:

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

March 31, 2013	**Total $'000**	**Less than 1 year $'000**	**1 – 3 years $'000**	**Greater than 3 years $'000**
Operating leases	1,271	646	378	247

December 31, 2012	**Total $'000**	**Less than 1 year $'000**	**1 – 3 years $'000**	**Greater than 3 years $'000**
Operating leases	1,612	913	407	292

18 Non-controlling interest

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

	March 31, 2013 $'000	**December 31, 2012 $'000**
Balance, beginning of year	8,437	8,918
Share of loss for the period	(98)	(481)
Balance, end of period / year	8,339	8,437

19 Subsequent events

During April 2013, the Company received a further 600 million KZT ($4 million) under the Kazakh loan arrangement discussed above in note 11 with a repayment period over 3 years and monthly repayments of both principal and interest (at 14%).