TETHYS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2014

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

1) Management's Discussion & Analysis: this includes the requirement of National Instrument 51-102 of Canadian Securities Administrators ("Canadian NI 51-102") in respect of a quarterly Management's Discussion & Analysis and 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 the Canadian NI 51-102 with respect to a quarterly financial report and the requirements of the UK's Disclosure & Transparency Rules with respect to DTR 4.3, Interim management statements and a Director's Responsibility Statement.

The following Management's Discussion and Analysis ("MD&A") is dated May 15, 2014 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, 2014 as well as the audited Consolidated Financial Statements and the MD&A for the year ended December 31, 2013. 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 2013 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" and the requirements of the Disclosure and Transparency Rules ("DTR") of the Financial Conduct Authority ("FCA") in the United Kingdom as applicable to interim financial reporting. Additional information relating to the Company, such as the annual audited financial statements, Annual Information Form ("AIF") and Management's Discussion and Analysis ("MD&A") can be found on the SEDAR website at *www.sedar.com*.

Readers should also read the "Forward-Looking Statements" legal advisory wording contained at the end of this MD&A and also the Company's AIF.

Nature of Business

Tethys Petroleum Limited and its subsidiaries (collectively "Tethys" or "the Company") has its principal executive office in Guernsey, British Isles. The domicile of Tethys is the Cayman Islands where it is incorporated. Tethys is an oil and gas company operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys' principal activity is the acquisition, exploration and development of crude oil and natural gas fields.

Financial highlights

(All references to USD are United States dollars unless otherwise noted and tabular amounts are in thousands, unless otherwise stated)

	Quarter ended 31 March		
	2014	**2013**	**Change**
Oil and gas revenue – continuing ops [1]	6,781	10,474	(35%)
(Loss) for the period – continuing ops [1]	(4,409)	(4,683)	(6%)
(Loss) / profit for the period – discontinued ops [1]	(492)	356	(238%)
Basic and diluted loss ($) per share – continuing ops [1]	(0.01)	(0.02)	
Basic and diluted loss ($) per share – discontinued ops [1]	-	-	
EBITDA - adjusted for share based payments [2]	(4,857)	1,610	(409%)
Capital expenditure	7,266	1,264	475%
	As at 31 March		
	2014	**2013**	**Change**
Total assets	232,881	246,896	(6%)
Cash & cash equivalents	13,698	1,358	909%
Cash & cash equivalents – held in a disposal group [3]	1,627	-	100%
Short & long term borrowings	(6,715)	(15,885)	58%
Short & long term borrowings – held in a disposal group [3]	(6,755)	-	(100%)
Total non-current liabilities[3]	(5,744)	(9,883)	42%
Net (funds) / debt [4]	(1,855)	14,527	113%
Number of common shares outstanding	299,557,744	286,782,744	4%

Note 1 During the second half of 2013 the Company's operations in Uzbekistan were seriously impacted by the closure of the Fergana refinery and a deterioration in the business climate in the country. The Board met in November 2013 and discussions concluded that a full withdrawal from current projects in the country was required. Operations had been significantly interrupted by then to the extent that no revenue from operations has been earned since June 2013.The Board formally decided in December 2013 to exit from current projects in the country and announced on January 2, 2014, being the next working day that it would do so effective immediately as there is no contractual notice period but that it would take up to three months to complete the process of exiting from the Production Enhancement Contract ("PEC") for the North Urtabulak field. During Q1 2014 the Company's focus has been on preparing the wells for handover and dealing with the exit. The Company does not expect to benefit from any production or earn any revenues in 2014. In view of the circumstances described, the results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia. In accordance with the disclosure requirements for discontinued operations the comparative figures in the Consolidated Statement of Comprehensive Income have been restated to be consistent with the current period presentation. A further provision of USD0.378m has been made for the unavoidable costs of fulfilling the Company's contractual obligations in the country and closing the Company's entities there in an orderly manner.

Note 2 EBITDA – adjusted for share based payments is a non GAAP measure and is defined as "Earnings before Interest, Tax, Depreciation, Amortization and Share Based Payments" and is calculated on the results of continuing operations.

Note 3 Due to the conditional sale of 50% (plus one share) of the Kazakh operation, all assets and liabilities of this segment have been re-designated as "Assets and Liabilities of a disposal group held for sale". For further information – refer to note 19 of the 2013 annual audited consolidated financial statements.

Note 4 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 consolidated statement of financial position and related notes.

- Revenue decreased in Kazakhstan in Q1 2014 compared with the comparative period as a result of lower oil sales (see Kazakhstan – oil sales) together with cessation of Tajik oil sales since Q2 2013 as a result of the hand back of the Beshtentak field as part of the Tajik farm-out agreement;
- The loss for the period of USD4.4m from continuing operations is marginally lower than the comparative period primarily due to a tax recovery arising in Kazakhstan as a result of the Kazakh Tenge devaluation which has resulted in higher tax recoverable losses available for offset in the future;
- EBITDA is lower as a result of a reduction in revenue;
- Capital expenditure is higher due to capital programmes in place with respect to shallow gas and oil field development;
- Reduction of borrowings is due to the repayment of maturing rig loans which were replaced in Q1 2014 by a new loan.

Operational highlights

	Quarter ended 31 March		
	2014	2013	Change
Kazakhstan			
Oil (bopd)	2,009	3,200	(37%)
Gas (boe/d)	2,016	1,743	16%
Combined (boe/d)	**4,025**	**4,943**	**(19%)**
Uzbekistan			
Oil (bopd)	-	119	(100%)
Tajikistan			
Oil (bopd)	-	78	(100%)
Total boe/d	**4,025**	**5,140**	**(22%)**
Kazakhstan			
Oil – gross sales price per barrel	**$27.10**	**$32.00**	**(15%)**
Oil – cost per barrel			
Gas – sales price net of marketing commission (Mcm)	**$52.18**[1]	**$64.01**[2]	**(18%)**
Gas – cost per Mcm			

Note 1 Using a current exchange rate of USD 1 = Tenge 185, Note 2 Using an average exchange rate for the period of USD 1 = 150.79 Tenge

- Oil production was lower than the same quarter prior year due to weather conditions in February and March affecting the ability to truck oil from site, which necessitated the choking back of wells and in the case of AKD05 and AKD06, pump shut off;

- Gas production continues to follow a natural decline through Q1 2014. Production had been affected in January 2013 by the sales contract negotiation during which time production ceased;

- Kazakh oil prices saw a decline in the quarter as a result of the Kazakh market absorbing the impact of the 20% Tenge devaluation that took place mid February 2014 (see Kazakhstan – Oil price);

- Kazakh gas prices were also affected by the Tenge devaluation (see Kazakhstan – Gas price);

- The Company experienced significantly higher operating cost per barrel in the first quarter in comparison to the first quarter in 2013 due to firstly, the lower production levels affected by pump downtime with the pump issues subsequently being resolved, and secondly, due to higher water disposal costs due to the higher water production and the use of a temporary water disposal facility. Going forward the Company expects the oil production to increase from those average levels in the first quarter and also the installation of a permanent water injection facility. It is the managements view that these higher operating costs per barrel are temporary and will be reduced going forward.

Further details on the above highlights are provided throughout this MD&A document.

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to *Forward Looking Statements* on page 23 of this MD&A.

The Company's objective is to build a diversified oil and gas exploration and production company with a mixture of oil and gas field development projects and long-term high potential exploration projects focused on the Central Asian and Caspian Region. The Company produces both oil and natural gas in order to balance its product portfolio, and operates in three separate jurisdictions in Central Asia and the Caspian Region in order to mitigate the political, fiscal and taxation risk that would be inherent with operations solely conducted in one jurisdiction.

The Company's long-term ambition is to occupy a significant role in the production and delivery of hydrocarbons from the Central Asian region to local and global markets. 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 to enhance shareholder value in the medium to long term. Meanwhile, the specific focus of management in the short term is to:

- complete the conditional sale of 50% (plus one share) of the Kazakh assets;
- carry out the shallow gas exploration and development programme in order to significantly increase natural gas production;

- secure appropriate funding, as required;
- fully appraise the Doris and Dione oil field discoveries in the Akkulka Block, Kazakhstan;
- continue exploration drilling and evaluation of the Akkulka and Kul-Bas licence blocks in Kazakhstan;
- explore and develop new licences in Georgia;
- develop the Tajik Bokhtar PSC together with the Company's new partners.

Significant events and transactions for the quarter ended March 31, 2014

- Completion of the acquisition of a 56% interest in Blocks XI^A, XI^M and XI^N, in eastern Georgia through three Production Sharing Contracts ("PSC") in Georgia for a payment of USD 9.6 million, being the issue of 12,000,000 ordinary shares in Tethys (based on a price of CAD 0.84 per share) and funding of a USD 4.4 million carry on the next USD 10 million work programme. Tethys is now Operator of these PSC's;

- Drilling of a further 3 successful shallow gas exploration wells: AKK17, AKK18 and AKK19. AKK17 and AKK18 are similar to AKK15 which tested gas at a stable rate of approximately 195,000 cubic metres (6.9 million cubic feet or 1,167 barrels of oil equivalent) per day and analysis of data from the well indicates AKK19 has a pay zone twice as thick as in AKK15;

- 20% devaluation of the Kazakh Tenge mid February 2014 (from 154 to 185 Tenge per 1 USD). The Company has assessed the impact on its Kazakh operations and has concluded that adverse effects on revenue will be offset by positive effects of certain payments such as the Kazakh loan and other payables denominated in local currency, such that the overall effect should be neutral;

- Renewal of gas sale contracts for volumes up to 150 million cubic metres at a price of KZT13,365 (approximately USD 72.24 per Mcm (USD 2.05 per Mcf) of gas (USD 80.90 per Mcm or USD 2.29 per Mcf including VAT). Sales costs are KZT3712.50 (approximately USD 20.07) per Mcm. The contracts run through to December 31, 2014.

Significant events and transactions subsequent to the period end

- On May 14, 2014, the Company announced that it had entered into a placing agreement with FirstEnergy Capital LLP and Cantor Fitzgerald Europe as placing agents ("Placing Agents") to raise USD 13,000,000 with new and existing investors (the "Placing") and agreed to raise USD 2,000,000 with new and existing investors by way of direct subscription (the "Direct Subscription"). The Direct Subscription and the Placing are together referred to as the "Offering". When completed, the Offering will raise gross proceeds of USD 15 million, this being the issue of 36,894,923 new ordinary shares priced at GBP0.24pence per share. Net proceeds will be used by the Company for continued development of its Kazakh shallow gas programme. Refer to Note 18 of the March 2014 Condensed Consolidated Interim Financial Statements for further information.

Results of Operations and Operational Review - Kazakhstan

Oil production – Akkulka Contract

	2014					2013				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m3	barrels	barrels	days	bopd	m3	barrels	barrels	days	bopd
Q1	42,503	267,334	180,801	90	2,009	53,168	334,419	288,042	90	3,200
Total	**42,503**	**267,334**	**180,801**	**90**	**2,009**	**53,168**	**334,419**	**288,042**	**90**	**3,200**

- Test production from the Doris discovery well AKD01 originally commenced in September 2010 at a level of up to 750 barrels per day. Oil was initially transported by truck to an oil loading terminal north of the town of Emba, located 450 km to the northeast of the well site, where it was treated before being transported to local refineries. In January 2011, approval

was granted for a Pilot Production licence for this Doris oil discovery in the Akkulka block, whereupon the Company received the right to produce oil under the exploration contract. Furthermore, it allowed the Company to install and operate production facilities for a planned (Phase 2) production target. Once the Pilot Production Project is fully completed, relevant final reserve calculations will be submitted to the Kazakh Ministry of Oil and Gas ("MOG") to receive a production contract which will allow for full field development and foreign or domestic sales. The Company is planning to apply for a full production contract, which is expected to be in place during 2015;

- The Company produces oil from three wells under the Pilot Production licence: AKD01, AKD05 and AKD06. These wells are consistently performing to expectation. A high capacity progressive cavity pump has been installed as planned on AKD06 and AKD05 is operating with another progressive cavity pump;
- Q1 2014 saw lower production than the same quarter prior year due to weather conditions in February and March that disrupted transportation resulting in the necessity to restrict production as well as mechanical production issues.

Oil operations update

General

Oil production is currently at approximately 2,750 barrels per day with mechanical issues of late 2013 having now been resolved and weather conditions having improved since the adverse conditions experienced in February and March 2014. Further work is planned this year to increase oil production.

AKD08 ("Doto")

Testing of the Jurassic interval took place in January 2014 following receipt of Kazakh governmental permissions. No commercial oil flow was obtained despite oil indications from logging and it is interpreted that the reservoir has low matrix permeability and that no fractures were encountered. Radial or horizontal drilling is now planned for this well in an attempt to intersect fractures which may allow commercial production to be established from this interval and to that end detailed seismic interpretation is underway to plan such drilling.

AKD09 ("Dexa")

The AKD09 ("Dexa") exploration well was drilled to a total depth of 2,452 metres. The primary exploration target of the well, the Cretaceous "Doris" channel sandstone, although present, does not appear to be hydrocarbon bearing at this location. The well was targeted at this level to evaluate the potential upside of the Doris field in the north-east aimed at testing a model of stratigraphic closure. The well-bore is now being considered for use as a possible lateral Doris development well in the Jurassic Limestone sequence close to the Doris field discovery AKD01 well which tested 1,373 barrels of 46° API oil per day from this sequence. The AKD01 well has not to date been commercially produced from the Jurassic as it is currently producing from the Cretaceous sand and therefore this area of the reservoir is likely to be unswept.

KBD01 ("Kalypso")

Following a successful cementing procedure in Q4 2013 on the KBD01 "Kalypso" well, a comprehensive stimulation and subsequent testing programme commenced mid-December initially on the Permo-Carboniferous interval, after delays primarily caused by the sourcing of equipment and weather. The hydraulic fracturing has now been carried out, with data indicating that this was successful. The next stage will be to acidize the interval and following this procedure flow testing will be attempted to ascertain whether or not this zone can achieve commercial flow of what is thought to be gas condensate. This interval is approximately 4,100 metres below the surface and electric logs run over this section and drilling data indicate more than 100 metres of gross potential hydrocarbon bearing zones. Further stimulation and testing will be determined during 2014, subject to funding.

Joint Venture – Aral Oil Terminal "AOT"

In 2013, the construction of Phase 2 of the AOT facility was completed, which provides for an increase in throughput capacity from 4,200 bopd to 6,300 bopd with the installation of two 1000 m^3 storage tanks (12,500 bbls) and associated pumping equipment. Under Phase 2b an electrical dehydrator for the commercial treatment of crude oil is being installed which will significantly improve the quality of oil, which should in turn help to realize a higher oil price. Further work is necessary on the electrical dehydration equipment.

Gas production – Kyzyloi and Akkulka Contracts

	2014				2013			
Kyzyloi	Mcm [1]	Mcf [2]	Mcm/d [3]	Boe/d [4]	Mcm [1]	Mcf [2]	Mcm/d [3]	Boe/d [4]
Q1	23,390	825,901	260	1,530	19,242	679,429	214	1,258
Total	**23,390**	**825,901**	**260**	**1,530**	**19,242**	**679,429**	**214**	**1,258**
Akkulka								
Q1	7,430	262,353	83	486	7,413	261,737	82	485
Total	**7,430**	**262,353**	**83**	**486**	**7,413**	**261,737**	**82**	**485**
TOTAL	**30,820**	**1,088,254**	**342**	**2,016**	**26,655**	**941,166**	**296**	**1,743**

Note 1 Mcm is thousands of cubic metres
Note 2 Mcf is thousands of cubic feet
Note 3 Mcm/d is thousands of cubic metres per day
Note 4 boe/d is barrel of oil equivalent per day. A boe conversion ratio of 6,000 cubic feet (169.9 cubic metres) of natural gas = 1 barrel of oil has been used and is based on the standard energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead

- Production commenced from the Kyzyloi field in 2007, following the construction of a 56 km, 325 mm diameter export pipeline from the Kyzyloi field gathering station to the main Bukhara–Urals gas trunkline, where a compressor station was constructed at km910 on that trunkline. The gas flows into the main trunkline which is owned by Intergas Central Asia, a division of the Kazakh state natural gas company KazTransGas;
- Production commenced from the Akkulka field on October 6, 2010;
- Q1 2014 production was higher than the same period prior year when there was no gas production in January 2013 due to the negotiation of the new sales contract. Wells are producing consistently in line with natural decline.

Gas operations update

Shallow Gas Drilling programme

Currently the tied in gas wells on Kyzyloi and Akkulka are producing approximately 306 thousand cubic metres per day (Mcm/d) (10.8 million cubic feet per day (MMcf/d)).

The forward gas programme has two aspects: those wells that have been previously drilled and tested that will be tied in and new shallow gas wells with up to 10 new wells planned for 2014. The initial well locations have been chosen and three wells drilled with further targets to be identified close to the gas pipeline after the final interpretation of the newly acquired 3D seismic data. These wells are primarily targeting gas at 600-800 metres at the deeper, higher pressured Tasaran sand level that tested strongly on the AKK14 and AKK15 wells, as currently the production is exclusively from the shallower Kyzyloi stratigrahic level. On the previous drilling campaign, 11 out of 13 shallow gas wells were successful and the subsequent seismic acquired (including 3D) is of better quality.

Funding raised subsequent to the year end will be targeted to this programme that is expected to significantly increase gas production.

Previously drilled and tested wells will be brought on stream over the next 12 months, at different stages dependent on their particular location and contract status.

The AKK14 well was drilled in 2008 and tested at 195 Mcm/d (6.9 MMcf/d) in the Tasaran horizon. This gas well has been approved and incorporated under the Akkulka Production Contract. It will be worked over and brought on production in Q1 2015 and is already tied into the pipeline system.

The AKK05 well was drilled in 2005 and tested at 223Mcm/d (7.9 MMcf/d). This will be worked over in Q3 2014 whereupon it can be produced for 90 days test production. However, it is expected that it will be approved and incorporated under the Kyzyloi Production Contract during Q3 2014 whereupon it can be placed on permanent production, having already been tied into the infrastructure.

The AKK15 and AKK16 wells were drilled in 2008 and tested at 195 Mcm/d (6.9 MMcf/d) and 289 Mcm/d (10.2 MMcf/d) respectively. To date in 2014, three additional exploration wells have been drilled: AKK17, AKK18 and AKK19, all of which have encountered gas-

bearing sections similar to the AKK15 well and with the gas-bearing zone in AKK19 being twice as thick as AKK15. It is planned to tie-in these wells later in 2014.

The recently completed Bozoi-Shymkent-China gas pipeline means that for the first time Tethys has two gas pipelines into which it can sell its gas; the pipeline taking gas to China, and the existing Bukhara Urals trunkline that transports gas from Central Asia into Russia. Currently the Chinese pipeline is only taking domestic gas within Kazakhstan to Shymkent, however, in 2015, gas sales to China are expected to commence.

The Company's strategy is to carry out the comprehensive programme outlined above, in order to complete all work and have all contracts and approvals in place to commence selling into the Kazakhstan-China pipeline by year-end 2014 when it expects to achieve a significantly higher net price than the current net price of USD 52.18/Mcm. Tethys believes that Chinese buyers are currently buying gas from Central Asia at much higher prices than this and Tethys expects the price it receives to rise again at that time.

Exploration - update

Results of the additional seismic acquired in the summer of 2013 have been promising and the first interpretation indicates a prospect in the Kul-Bas Exploration and Production Contract area to the west of the Akkulka Exploration Contract area, named "Klymene". Subsequent to the year end, the Company announced the results of an independent prospective resources assessment by Gustavson: a total unrisked mean recoverable oil resources of 422 million barrels. It is expected to spud this new well in 2014, subject to funding. There is no certainty that it will be commercially viable to produce any portion of the above resources. Reference is made to the 2013 AIF for further information and prescribed disclosure relating to these resources.

Results of Operations and Operational Review - Uzbekistan

Oil Production - North Urtabulak Production Enhancement Contract (“PEC”)

During the second half of 2013, the Company’s operations in Uzbekistan were seriously impacted by the closure of the Fergana refinery and a deterioration in the business climate in the country. The Board met in November and discussions concluded that a full withdrawal from existing projects in the country was required. Operations had been significantly interrupted by then to the extent that no revenue from operations had been earned since June 2013. The Board formally decided in December 2013 to exit from existing projects in the country and announced on January 2, 2014, being the next working day, that it would do so effective immediately as there was no contractual notice period but that it would take up to three months to complete the process of exiting from the Production Enhancement Contract ("PEC") for the North Urtabulak field. During Q1 2014, the Company’s focus has been on preparing the wells for handover and dealing with the exit. The Company does not expect to benefit from any production or earn any revenues in 2014. In view of the circumstances described, the results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company’s continuing operations in Kazakhstan, Tajikistan and Georgia. In accordance with the disclosure requirements for discontinued operations, the comparative figures in the Consolidated Statement of Comprehensive Income have been restated to be consistent with the current year presentation. A further provision of USD0.378m has been made during Q1 2014 for the unavoidable costs of fulfilling the Company’s contractual obligations in the country and closing the Company’s entities there in an orderly manner.

Results of Operations and Operational Review - Tajikistan

Oil Production – Beshtentak

	2014				2013			
	Total production				Total production			
	Tonnes	Barrels	Production days	bopd	Tonnes	Barrels	Production days	bopd
Q1	**-**	**-**	**-**	**-**	**969**	**7,053**	**90**	**78**

- On June 18, 2013, the Company completed a farm-out agreement with subsidiaries of Total and CNPC. As part of the agreement, Beshtentak wells were relinquished to the government and as a result, production ceased as of that date.

Operations update

Since completion of the farm-out, the new joint arrangement has been focused on the completion of a full regional 2D seismic acquisition programme across the PSC area, particularly targeted at deeper exploration potential. In Q4 2013, the joint operating company went out to tender for the acquisition of seismic data which was awarded to BGP of China in April 2014. Phase I will comprise of 826 kms of 2D seismic and 588 kms of magneto telluric data, expected to commence during summer 2014.

Accounting from date of farm-out

Following the farm-out to subsidiaries of Total and CNPC in June 2013, whereby each acquired a one third interest in Kulob's Bokhtar Production Sharing Contract, an operating company, Bokhtar Operating Company BV, has been established which is jointly owned by the three partners. The Company has classified the arrangement as a joint operation (where the company has rights to the assets, and obligations for the liabilities, relating to the arrangement). The Company recognizes its share of assets, liabilities and transactions, including its share of those incurred jointly, in accordance with the relevant International Financial Reporting Standards.

Results of Operations and Operational Review - Georgia

Following completion, in early January 2014, of the acquisition of a 56% interest in the Georgian licence areas: Blocks XI^A, XI^M and XI^N, activities performed in Q1 2014 have focused on the collation, preparation, processing and interpretation of seismic and well data across blocks XI^A and XI^M.

Summary of Quarterly Results

	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012
Oil and gas revenue [1]	6,781	8,527	9,082	8,862	10,474	11,324	8,935	9,191
(Loss) / profit for the period								
– continuing ops [1]	(4,409)	(4,208)	(4886)	3,242	(4,683)	(3,648)	(5,105)	(4,653)
– discontinued ops [1]	(492)	(6,406)	(501)	(544)	356	(422)	(12)	(163)
Basic & diluted loss/profit ($) per share – continuing ops	(0.01)	(0.01)	(0.02)	0.01	(0.02)	(0.01)	(0.02)	(0.02)
Basic & diluted loss ($) per share – discontinued ops	-	(0.02)	-	-	-	-	-	-
EBITDA – adjusted for share based payments [2]	(4,857)	(2,162)	(361)	(634)	1,610	2,797	1,541	934
Capital expenditure	7,266	16,510	4,985	1,050	1,264	8,170	6,021	2,101
Total assets	232,881	234,618	246,536	253,924	246,896	251,953	252,083	253,153
Cash & cash equivalents	13,698	25,109	51,207	64,535	1,358	1,750	1,146	3,972
Cash & cash equivalents – held in a disposal group[3]	1,627	622	-	-	-	-	-	-
Short & long term borrowings	(6,715)	(4,965)	(17,852)	(18,889)	(15,885)	(17,313)	(13,285)	(12,253)
Short & long term borrowings – held in a disposal group	(6,755)	(8,947)	-	-	-	-	-	-
Total non-current liabilities[3]	(5,744)	-	(11,914)	(12,541)	(9,883)	(7,475)	(9,437)	(5,752)
Net funds / (debt)	1,855	11,819	33,355	45,646	(14,527)	(15,563)	(12,139)	(8,281)
Number of common shares outstanding	299,557,744[5]	299,557,744[5]	299,557,744[5]	299,557,744[5]	286,782,744	286,707,744	286,707,744	286,707,744

Note 1 2012 amounts have been re-stated for operations discontinued during 2013

Note 2 EBITDA – adjusted for share based payments is a non GAAP measure and is defined as "Earnings before Interest, Tax, Depreciation, Amortization and Share Based Payments" and is calculated on the results of continuing operations

Note 3 Due to the conditional sale of 50% (plus one share) of the Kazakh operation, all assets and liabilities of this segment have been re-designated as "Assets and Liabilities of a disposal group held for sale". For further information – refer to note 19 of the 2013 annual audited consolidated financial statements

Note 4 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 consolidated statement of financial position and related notes

Note 5 Includes 12,000,000 shares issued on July 9, 2013 in connection with the proposed acquisition of Georgian assets. These shares were held in escrow pending Georgian governmental consent for the acquisition which was received on January 2, 2014, at which date they qualified for recognition as equity of the Company

Financial Review

Loss for the period

The Company recorded a net loss after taxation of USD4.9m for the quarter ended March 31, 2014, compared with USD4.3m in the comparative period. The principal variances between the two periods are summarized below together with a discussion of variances greater than 10%:

	Quarter ended 31 March		
	2014	2013 [1]	Change
Sales & other revenues	6,781	10,474	(35%)
Sales expenses	(744)	(644)	(16%)
Production expenses	(3,798)	(3,360)	(13%)
Depreciation, depletion & amortization	(151)	(4,383)	97%
Business development expenses	(740)	(368)	(101%)
Administrative expenses	(5,126)	(4,490)	(14%)
Transaction costs for assets held for sales	(15)	-	(100%)
Share based payments	(119)	(331)	64%
Foreign exchange gains - net	7	131	(95%)
Fair value loss on derivative financial instrument - net	(19)	(430)	96%
(Loss) / profit from jointly controlled entity	(1,203)	257	(568%)
Finance costs - net	(603)	(685)	12%
Loss before taxation	**(5,730)**	**(3,829)**	**(50%)**
Taxation	1,321	(854)	255%
Loss for the period from continuing operations	(4,409)	(4,683)	6%
(Loss) / profit for the period from discontinued operations	(492)	356	(238%)
Loss for the period	**(4,901)**	**(4,327)**	**(13%)**

Note 1 2013 amounts have been re-stated for Uzbek operations discontinued during 2013

Sales & other revenue

	Quarter ended 31 March		
	2014	2013 [1]	Change
Summary			
Oil	4,223	8,063	(48%)
Gas	2,393	2,323	3%
Other	165	88	88%
Total	**6,781**	**10,474**	**(35%)**
By region:			
Kazakhstan			
Oil	4,223	7,654	(45%)
Gas	2,393	2,323	3%
Other	5	73	(93%)
Total	**6,621**	**10,050**	**(34%)**
Tajikistan			
Oil	-	409	(100%)
Other	160	-	100%
Total	**160**	**409**	**(61%)**
Other	-	15	(100%)
Total	**6,781**	**10,474**	**(35%)**

Kazakhstan Oil sales

	Gross sales		Realized price at wellhead	Compensation	VAT	Net sales
2014	**bbls**	**Revenue**	**$/bbl**			
Q1	174,381	4,827	27.10	97	507	4,223
Total	**174,381**	**4,827**	**27.10**	**97**	**507**	**4,223**
2013						
Q1	272,695	8,737	32.00	165	918	7,654
Total	**272,695**	**8,737**	**32.00**	**165**	**918**	**7,654**

- Under the Pilot Production licence, oil can only be sold in the local market;
- Net figures exclude the compensation for water content plus compensation for natural wastage and transportation costs of water from the well head to the terminal at Shalkar. The associated water from production is separated at the well site and was transported approximately 40km to a disposal facility. The compensation for water content is due to the small amount of water in the crude that remains after the field separation;
- Sale price is determined based on oil sold at the wellhead. The Company incurs no transportation or marketing costs. Some other entities report their oil price differently, with transportation and marketing costs being reported separately. Tethys' oil is trucked 230 kilometres and then railed hundreds of kilometres. According to figures provided by local oil buyers if oil was sold at the refinery, the price would be significantly higher;
- Q1 2014 sales revenue was affected by lower volume than in the same period prior year and also price which decreased from its Q4 2013 level of USD30 per barrel to approximately USD27.10 per barrel as a result of the Tenge devaluation.

Kazakhstan - Oil price

- Since Q2 2013, there has been downward pressure on pricing as a result of a 30% increase in railway tariffs in January 2013, which was absorbed by the domestic market. By Q4 2013, the oil price was stable at USD30 per barrel, however, during February 2014 this price was eroded as a result of the 20% devaluation of the Tenge which was absorbed by the market. The Company is not responsible for any distribution or transportation costs as product is sold at the wellhead. It is expected that in the near future the devaluation will be reflected in an increase in government controlled product prices and the realised price will return to USD30 per barrel;
- The Company expects to obtain a full production licence in the first half of 2015, at which point it will be able to export production and realize a higher price.

Kazakhstan - Gas sales

- Q1 2014 saw a marginal increase in gas revenue of 3% over the same period prior year due to there being no gas revenue in January 2013 while the new gas sales contract was being negotiated.

Kazakhstan - Gas price

- In late January 2013, the Company signed two contracts with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company, KazTransGas JSC. Both Kyzyloi and Akkulka sales contracts are for annual volumes up to 150 million cubic metres at a fixed Tenge net price of KZT 9,652.50 per 1,000 cubic metres (approximately USD 52.18 or USD 1.47 per 1,000 cubic feet – at a current exchange rate of 185 Tenge) or fixed Tenge gross price including 12% VAT of KZT 10,810.80 per 1,000 cubic metres (USD 58.44 or USD 1.66 per 1,000 cubic feet) net of marketing and distribution costs. Both contracts run through to December 31, 2014 and are subject to exchange rate risk – refer to page 21 – *Sensitivities*.

Tajikistan - Oil sales

Oil sales ceased since Q2 2013 as a result of relinquishment of the Beshtentak field as part of the farm-out agreement with Total and CNPC.

Sales expenses

Sales expenses represent marketing agent's commissions of KZT 3,712.50 per Mcm, net of 12% VAT, (approximately USD20.07 at a current exchange rate of 185 Tenge), paid in relation to the Kazakh gas sale contracts. These marketing agent's commissions have been in place since February 2013.

Production expenses

	Quarter ended 31 March (adjusted for discontinued operations)		
	2014	**2013**	**Change**
Kazakhstan			
Oil production	2,820	1,913	(47%)
Gas production	891	1,037	14%
Other	87	-	(100%)
Tajikistan			
Oil production	-	410	100%
Total	**3,798**	**3,360**	**(13%)**
Kazakhstan			
Oil production - net bbls	180,801	288,042	37%
Oil production - cost per bbl	15.60	6.64	(135%)
Gas production – boe	181,440	156,870	16%
Gas production - cost per boe	4.91	6.61	26%
Total – cost per boe	10.25	6.63	(55%)

Kazakhstan – oil production

- A significant proportion of costs associated with oil production are fixed, therefore even though there was lower oil production in Q1 compared with the comparative period, costs will not reduce proportionately;
- Cost per barrel has been significantly affected in Q1 2014 due to the lower production levels affected by pump downtime with the pump issues subsequently being resolved, and secondly, due to higher water disposal costs due to the higher water production and the use of a temporary water disposal facility. Going forward the Company expects the oil production to increase from those average levels in the first quarter and also the installation of a permanent water injection facility. It is the managements view that these higher operating costs per barrel are temporary and will be reduced going forward.

Kazakhstan – gas production

- As with the oil, a significant proportion of costs associated with gas production are also fixed, therefore with higher gas production in Q1 2014 compared with the comparative period (as discussed in the section on Kazakh gas production), costs per boe will reduce. Costs in the comparative period were incurred throughout January 2013, even though there was no production, as the new sales contract was under negotiation;
- There have been increases in gas production costs since Q3 2013 as a result of the Kazakh salary review;
- The Company's shallow gas programme (discussed in the section on Kazakh operations update) should result in a cost reduction per cubic metre as economies of scale are achieved.

Tajikistan

- Production expenses ceased since Q2 2013 as a result of relinquishment of the Beshtentak field as part of the farm-out agreement.

Depreciation, depletion and amortization (DD&A)

DD&A for the 3 months ending March 31, 2014 was USD0.151m representing a decrease of 97% over the comparative period (USD 4.383m). The variance was primarily as depletion of the Kazakh assets ceased at the point at which assets were transferred to "held for sale" (November 2, 2013) in accordance with the Company's accounting policy. In addition, there was no depletion of the Tajik Beshtentak field, which ended at the point of farm-out (June 2013).

Business development expenses

Business development expenses are associated with the pursuit of new business opportunities either within existing operating territories or elsewhere. Expenditure for the 3 months ended March 31, 2014 was USD0.740m representing an increase of 101% over the comparative period (USD0.368m). The increased level of expenditure reflects the activity of the Tajik office post farm-out where pre farm-out its costs were of an administrative nature combined with a re-deployment of some personnel from administrative related roles to business development roles and a higher level of business development activity generally.

Administrative expenses

	Quarter ended 31 March (continuing operations)		
	2014	**2013**	**Change**
Staff	2,300	2,063	(11%)
Travel	802	689	(16%)
Office	655	500	(31%)
Professional & regulatory fees	614	639	4%
Marketing costs	515	355	(45%)
Other costs	240	244	2%
Total	**5,126**	**4,490**	**(14%)**

- Kazakh salaries were increased during the 3rd quarter of 2013 as a result of a salary review. This review, the first since 2010, was key to ensuring the retention of staff. Increases have, however, been offset by higher capitalisation of technical staff costs as a result of increased activity on various licence areas;

- Travel costs, although higher than the same quarter prior year, are dependent on travel plans and thus spend will fluctuate from quarter to quarter. There was increased travel activity in Q1 2014 as a result of a senior management meetings and fund raising activity;

- Office costs are higher for the quarter compared with the comparative period as a result of costs associated with the London office move and an IT upgrade of the Company's financial reporting systems;

- Marketing costs are higher for the quarter primarily as result of a fluctuation in timing of spend.

Transaction costs of assets held for sale

These are costs incurred as a result of negotiating the sale of 50% (plus one share) interest in the Kazakh business segment. The sale is subject to Kazakh State approval, at which point closing will take place. This cost was not incurred in the comparative period.

Share based payments

Share based payments for the quarter ending March 31 2014 amounted to USD 0.119m representing a 64% decrease over the comparative period (USD0.331m) reflecting an overall decrease in remaining term and no significant new awards.

Foreign exchange gains - net

Foreign exchange gains and losses arises 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. The reduction in gain during Q1 2014 compared with the comparative period is principally as a result of the strengthening of the Pound Sterling against the US Dollar.

Fair value loss on derivative financial instrument

The fair value loss for the quarter was USD19k representing a decrease of 96% over the comparative period. The movement is reflective of decreasing volatility assumptions used in the valuation as a result of shorter remaining terms.

(Loss) / profit from jointly controlled entity

The loss generated from the Aral Oil Terminal was USD1.203m for the quarter compared with a profit of USD0.257m in the comparative period. Since the last quarter of 2013, the terminal has generated losses as a result of temporary lower volume throughput.

Finance costs - net

Finance costs consist of loan interest expense net of interest income. Finance costs for the quarter were USD0.603m representing a 12% decrease over the comparative period (USD0.685m) reflecting a greater capitalisation of interest in the current period compared with the comparative period as a result of higher capital expenditure incurred in the current period.

Taxation

The current tax recovery for the quarter was USD1.321m (2013: tax expense of USD0.854m) which was primarily as a result of the devaluation of the Kazakh Tenge, which increased tax losses available for future offset.

Loss / (profit) for the period from discontinued operations

As a result of the Company's decision at year end to exit from Uzbekistan, all revenues and costs associated with this segment have been excluded from the Company's results and separately disclosed. The comparative has similarly been re-stated. The loss for Q1 2014 was USD0.492m, which included a further provision for costs associated with the exit. Refer to notes 5 and 6 of the 2013 annual audited consolidated financial statements.

Liquidity and Capital Resources

The Company's capital structure is comprised of shareholders' equity and debt.

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.

The Company funds its capital expenditures from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity and some debt financing. None of the outstanding debt is subject to externally imposed capital requirements.

Financing decisions are made by management and the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

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 Condensed Consolidated Statement of Financial Position and related notes.

	Quarter ended 31 March		
	2014	**2013**	**Change**
Total financial liabilities – borrowings	6,715	15,885	(58%)
Total financial liabilities – borrowings of a disposal group	6,755	-	(100%)
Less: cash and cash equivalents	(13,698)	(1,358)	909%
Less: cash and cash equivalents – of a disposal group	(1,627)	-	(100%)
Net (funds) / debt	(1,855)	14,527	113%
Total equity	203,513	216,239	(6%)
Total capital	**201,658**	**230,766**	**(13%)**

Should the Company be in a net debt position, it will assess whether the projected cash flow is sufficient to service this debt and support ongoing operations. Consideration will be given to reducing the total debt or raising funds through alternative methods such as the issue of equity.

Financing

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the consolidated financial statements, in determining the ability of the Company to adopt the going concern basis in preparing the interim consolidated financial statements for the period ended March 31 2014.

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the March 2014 Condensed Consolidated Interim Financial Statements and this Management's Discussion & Analysis document. The financial position of the Company, its cash flows and liquidity position are as set out in the interim consolidated financial statements and discussed further in this Management's Discussion & Analysis document.

The Company reports a loss for the quarter ended March 31, 2014 of USD4.9m (2013: USD4.3m). As at April 30, 2014, the Company held cash of USD12.0m, having already repaid the maturing rig loan balances of USD 4.965m and having already received USD7.2m towards a total new secured loan facility of USD12m.

Subsequent to the period end, the Company has secured an irrevocable commitment to a total of USD15m with respect to a private equity placement, which will be completed in two tranches. Application has been made to the Financial Conduct Authority ("FCA") and London Stock Exchange ("LSE") for the first tranche of ordinary shares to be admitted to the listing and to be traded, which will raise gross proceeds of USD6.95 million. The second tranche of ordinary shares is subject to the approval by the FCA of a prospectus, upon which application will be made to the FCA and LSE for the second tranche of shares to be admitted to the listing and to be traded. The second tranche will raise gross proceeds of USD8.05 million and should be effective on or before the end of June 2014. The Offering is subject to the approval of the Toronto Stock Exchange. This funding will enable the Company to complete its shallow gas programme in Kazakhstan. Further details are disclosed in note 18 of the March 2014 Condensed Consolidated Interim Financial Statements.

On November 2, 2013, the Company agreed the sale of a 50% interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V., part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured. Upon completion, the Company will receive proceeds of USD75 million, plus potential future bonuses. Under the terms of pre-emption, should the Kazakh Government decide not to approve, then it is obliged to complete on the same purchase terms. Although the Company is hopeful that completion will take place in Q2 2014, completion may be delayed. .

Forecast cash flow incorporates a number of assumptions, one of which is pricing. Price risk and sensitivities are further discussed in this Management's Discussion and Analysis document.

Management has examined these issues to form a view on the Company's ability to realise its assets and discharge its liabilities in the normal course of business. After making enquiries and considering the circumstances referred to above, the Board has concluded 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.

Cash Flow

	Quarter ended 31 March	
	2014	**2013**
Cash & cash equivalents at beginning of period	**25,731**	**1,750**
Cash inflow		
Operating activities – before tax (including discontinued operations)	-	2,562
Proceeds from financing – net of issue costs	6,707	737
Proceeds from issuance of equity	-	48
Interest received	50	50
Other (includes change in non cash working capital)	894	-
Total	**7,651**	**3,397**
Cash outflow		
Operating activities – before tax (including discontinued operations)	(4,167)	-
Capital expenditure	(7,266)	(1,264)
Repayment of borrowings	(6,514)	(2,423)
Repayment of historic costs	(71)	(71)
Corporation tax paid	(138)	-
Other (includes change in non cash working capital)	-	(37)
Total	**(18,156)**	**(3,795)**
Effect of exchange rates on cash & cash equivalents	99	6
Cash & cash equivalents at end of period	**15,325**	**1,358**

Operating activities

Operating activities were affected in Q1 2014 by the cessation of Uzbek and Tajik revenue combined with a reduction in oil revenue in the current period compared with the comparative period.

Proceeds from financing

In February 2014, the Company entered into a new loan agreement to borrow up to USD12 million, of which USD7.2 million had been sourced by the end of March 2014 – refer to note 11 of the March 2014 Condensed Consolidated Interim Financial Statements for further information.

Other

"Other" incorporates movements of changes in working capital associated with capital (long term VAT and advances to contractors).

Capital Expenditure

Significant spend is as follows:

	Quarter ended 31 March		
Continuing operations	**2014**	**2013**	**Change**
Kazakhstan			
Firesafety	299	-	
AKD08	533	-	
AKD09	768	-	
Pumps	548	-	
2D & 3 D Seismic	228	-	
New shallow gas wells	1,100	-	
Rig mobilization	148	-	
KBD01 – workover & testing	636	-	
Other	1,115	604	
Total	**5,375**	**604**	**790%**
Tajikistan			
Bokhtar exploration	877	421	
Total	**877**	**421**	**108%**
Georgia	**778**	**-**	**100%**
Corporate & other	**236**	**-**	**100%**
Discontinued operations			
Uzbekistan	-	239	(100%)
Total	**7,266**	**1,264**	**475%**

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 Notes to the March 2014 Condensed Consolidated Interim Financial Statements. Refer to note 4 of the Notes to the 2013 annual audited consolidated financial statements for further information on the Company's significant judgments and assumptions and critical estimates.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Stockholder Equity

As at May 12, 2014 the Company had authorized share capital of 700,000,000 ordinary shares of which 299,557,744 (2013: 286,692,744) had been issued and 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 approved at the AGM on April 24, 2008.

As at May 12, 2014, a total of 34,388,129 (2013: 33,699,000) ordinary shares were reserved under the Company's Long Term Stock Incentive Plan and Warrants granted by the Company. The number of options outstanding is 33,827,400 and the number of warrants outstanding is 2,090,000.

Dividends

There were no dividends paid in the period.

Transactions with Related Parties

Vazon Energy Limited

Vazon Energy Limited ("Vazon") 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, 2014 was USD376,844 (2013 – USD458,352). As at the date of this report, the services of Dr. Robson and two other Vazon employees are provided to the Company.

On June 17, 2013, the Company made a deposit of GBP400,000 as security for amounts owing to Vazon under the management services contract. The deposit is non-current and access to it is restricted - see note 9 of the March 2014 Condensed Consolidated Interim Financial Statements.

Oilfield Production Consultants

Oilfield Production Consultants Limited, Oilfield Production Consultants (OPC) Asia LLC and Oilfield Production Consultants USA LLC (collectively "OPC") have one common director with the Company. OPC participated in the 2014 loan financing, described in note 11 of the March 2014 Condensed Consolidated Interim Financial Statements, advancing USD400,000 to the Company. The balance due to OPC at March 31, 2014 was USD395,119.

Related party transactions with key management personnel

Two officers of the Company participated in the 2011 loan financing, described in note 11 of the March 2014 Condensed Consolidated Interim Financial Information, for which they received 75,000 and 232,620 warrants at a fair value of USD 6,143 and USD 21,983 respectively. Loans advanced were USD 150,000 and GBP 300,000 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 USD 2,940 and USD 25,891 respectively. These loans were repaid in full in February 2014 and the warrants expire in May and June 2014.

Ambassador Khalilzad is a non-executive director of the Company. His company, Khalilzad Associates, provides consultancy services with respect to business development. Total fees for these services amounted to USD15,000 for the period ended March 31, 2014 (2013 – USD15,000).

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

Three non-executive directors participated in the 2014 rig loan financing described in note 11 of the March 2014 Condensed Consolidated Interim Financial Information. In addition, non-interest bearing advances have been made to three officers of the Company. Amounts advanced during the period and balances outstanding at the end of the period are shown in the table below.

	Three months ended		Balance as at	
	March 31, 2014	**March 31, 2013**	**March 31, 2014**	**December 31, 2013**
Loans advanced to Company:				
Non-executive director (USD)	200	-	198	-
Non-executive director (USD)	150	-	148	-
Non-executive director (GBP)	60	-	59	-
Amounts advanced by Company:				
Officer (AED)	-	-	66	99
Officer (AED)	-	-	93	163
Officer (USD)	-	-	4	17

Risks, Uncertainties and Other Information

The Company is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. A summary of these risks and uncertainties, as well as additional information relating to the Company, is included in the Company's annual Management's Discussion &Analysis for the year ended December 31, 2013 (the "Annual MD&A") and the 2013 Annual Information Form (the "AIF") which are available on SEDAR at www.sedar.com. The sections entitled "Risks and Uncertainties" from the Annual MD&A and the "Risk Factors" from the AIF are incorporated herein by reference.

To following information is provided to reflect the financial exposure to the following risk factors identified by the Company: movement in certain financial aspects of the Company's risk profile since the prior reporting period:

Financial Risk Management

The Company's activities expose it to a variety of financial risks including: market risk, credit risk, liquidity risk, interest rate and foreign exchange risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk arises from the Company's loans receivable from jointly controlled entities, cash and cash equivalents and accounts receivable balances.

With respect to the Company's financial assets the maximum exposure to credit risk due to default of the counter party is equal to the carrying value of these instruments. The maximum exposure to credit risk as at the reporting date is:

	March 31	December 31
	2014	**2013**
Trade receivables	-	84
Cash and cash equivalents	13,698	25,109
Restricted cash	1,155	1,135
Total	**14,853**	**26,328**
Assets of a disposal group held for sale (Kazakhstan):		
Trade receivables	1,837	3,985
Cash and cash equivalents	1,627	622
Restricted cash	1,633	1,664
Loans receivable from jointly controlled entities	1,517	2,676
Total	**6,614**	**8,947**
Total	**21,467**	**35,275**

Concentration of credit risk associated with the above trade receivable balances in Kazakhstan is as a result of contracted sales to two customers during the period. The Company does not believe it is dependent upon these customers for sales due to the nature of gas products and the associated market. The Company's sales in Kazakhstan commenced in December 2007 and the Company has not experienced any credit loss to date.

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. Since inception, the Company has incurred significant consolidated losses from operations and negative cash flows from operating activities, and has an accumulated deficit at March 31, 2014. Refer also to the section on Financing on page 15.

The Company's processes for managing liquidity risk includes preparing and monitoring capital and operating budgets, co-ordinating and authorizing project expenditures and ensuring appropriate authorization of contractual agreements. The budget and expenditure

levels are reviewed on a regular basis and updated when circumstances indicate change is appropriate. The Company seeks additional financing based on the results of these processes.

The following are the contractual maturities of financial liabilities, including estimated interest payments at March 31, 2014:

	Contractual cash flows	Less than one year	1 – 3 years	4 – 5 years	Thereafter
Trade and other payables	3,609	3,609	-	-	-
Financial borrowings	8,933	1,892	7,041	-	-
Operating leases	1,909	813	999	97	-
Commitments [1]	11,575	7,608	3,967	-	-
Total	**26,026**	**13,922**	**12,007**	**97**	**-**
Liabilities of a disposal group held for sale (Kazakhstan):					
Trade and other payables	7,834	7,480	221	110	23
Financial borrowings	7,840	3,964	3,876	-	-
Total	**15,674**	**11,444**	**4.097**	**110**	**23**
Total contractual obligations	**41,700**	**25,366**	**16,104**	**207**	**23**

[1]The primary constituents of the commitments are the Kazakhstan work programmes which encompass capital expenditure, production expenditure and administrative costs. See note 28 of the 2013 annual audited consolidated financial statements.

There can be no assurance that debt or equity financing will be available or, sufficient to meet the Company's requirements or, if debt or equity financing were available, that it would be on terms acceptable to the Company. However, the Company is not currently reliant on obtaining additional debt or equity funding to continue as a going concern. Inability of the Company to access sufficient capital for its operations could have a material impact on the Company's financial condition, timing of activities and results of operations and prospects.

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. Existing long term debt is agreed at fixed interest rates and consequently the Company has limited exposure to changes in market interest rates.

The Company is exposed to interest rate risk on short term deposits to the extent that reductions in market interest rates would result in a decrease in the interest earned by the Company. An increase or decrease of 100 basis points would have had a minimal impact on the Company's results for the period.

Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the US dollar. In addition, a portion of expenditures in Kazakhstan and Tajikistan are denominated in local currency, Tenge and Somoni, respectively. The Company also attempts to negotiate exchange rate stabilization conditions in local Tenge denominated service and supply contracts in Kazakhstan.

The Company holds the majority of its cash and cash equivalents in US dollars. However, the Company does maintain deposits in other currencies, as disclosed in the following table, in order to fund ongoing general and administrative activity and other expenditure incurred in these currencies.

The carrying amounts of the Company's significant foreign currency denominated monetary assets and liabilities at March 31, 2014 are as follows:

In USD equivalent	**CAD '000**	**GBP '000**	**EUR '000**	**KZT '000**
Cash and cash equivalents	11	2,219	64	1,562
Trade and other receivables	-	61	22	9,765
Trade and other payables	(48)	(385)	(82)	(1,885)
Financial liabilities –borrowings	-	(2,385)	-	(6,755)
Net exposure	**(37)**	**(490)**	**4**	**2,687**

The following table details the Company's sensitivity to a 10% movement in US dollars against the respective foreign currencies, which represents management's assessment of a reasonably likely change in foreign exchange rates.

Effect in USD'000	**CAD '000**	**GBP '000**	**EUR '000**	**KZT '000**
Profit or (loss) before tax	(4)	(49)	1	269

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan or Tajikistan to foreign entities. There can be no assurance, those restrictions on repatriation of capital or distributions of earnings from Kazakhstan or Tajikistan will not be imposed in the future. Moreover, there can be no assurance that the Tenge or Somoni will continue to be exchangeable into US Dollars or that the Company will be able to exchange sufficient amounts of Tenge or Somoni into US Dollars or Pounds Sterling to meet its foreign currency obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as marketability of production and commodity prices.

- *Marketability of Production*

The marketability and ultimate commerciality of oil and gas acquired or discovered is affected by numerous factors beyond the control of the Company. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and gas pipelines and processing equipment and government regulation. Tethys produces gas into the transcontinental gas trunkline system which ultimately supplies gas to Russia. Political issues, system capacity constraints, export issues and possible competition with Russian gas supplies may in the future cause problems with marketing production, particularly for export. Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Restrictions on the ability to market the Company's production could have a material adverse effect on the Company's revenues and financial position.

- *Commodity price risk*

Oil and gas prices are unstable and are subject to fluctuation. Any material decline in oil and/or natural gas prices could result in a reduction of the Company's net production revenue and overall value and could result in ceiling test write downs. In Kazakhstan, the Company had fixed (Tenge) price gas contracts up to the end of 2013. Subsequent to the year end, these gas supply contracts were renewed at the same fixed (Tenge) price and run through to December 31, 2014.

The Company's oil contract in Kazakhstan is subject to commodity price fluctuation and it may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in the volumes and value of the Company's reserves. The Company might also elect not to produce from certain wells because of lower prices. These factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities.

Fluctuations in oil and gas prices could materially and adversely affect the Company's business, financial condition, results of operation and prospects. There is no government control over the oil and gas price in the countries where the Company operates.

Although the Company believes that the medium to long term outlook for oil and gas prices in the region is good, the recent events in various parts of the world demonstrate the volatility and uncertainties of the oil and gas industry. Also, consideration needs to be given to production and other factors such as OPEC, refinery shut-ins and inventory. Any discussion of price or demand is subjective and, as such, there are many differing opinions on the cause of recent price changes.

As previously stated gas production from both the Kyzyloi and Akkulka contracts in Kazakhstan is sold at fixed prices, at least until the end of 2014, and so the fluctuation in world commodity prices should have no effect on the Company's revenue from the Kazakh gas operations up to the end of 2014. However, it would be affected by exchange rate risk.

Sensitivities

The price of gas sales from gas produced from both the Kyzyloi and Akkulka gas fields under Gas Supply Contracts is fixed in Tenge until December 31, 2014 and hence will be sensitive to a fluctuation in exchange rate. A 10% devaluation of the Tenge, from 185 to 203.5 for example, would result in a net price reduction of USD5.25 per Mcm (i.e. USD46.93 from USD52.18). On production of 126,751 Mcm per annum, this would result in a reduction of USD665,443 in gas revenue.

The price of oil sales from the Doris discovery is sensitive to movements in the market price. On a production level of 2,750 bopd, a movement of USD1 per barrel on the price received by the Company would result in a plus or minus movement in oil sales revenue of USD1,003,750 per annum.

Political & regulatory

The Company decided in December 2013 and announced on January 2, 2014 that it had made a decision to exit its existing Uzbekistan and surrender its rights under the PEC due to changes in the business climate and political environment. The Company's decision was principally as a result of problems encountered by Tethys Production Uzbekistan (the trading name of the Company's subsidiary, Baker Hughes (Cyprus) Limited, ("BHCL") in receiving allocation and payment for the delivery of crude oil to the Fergana refinery. Uzbek authorities have requested access to certain records of BHCL. Such inspections are relatively commonplace in the fSU. To date, the Company has received two claims as a result of the tax inspections undertaken, the financial impact of which is considered by the Company to be remote. In addition, the Company will incur expenses, relating to its exit from Uzbekistan, for which provision has been made. Moreover, as a result of problems encountered by the Company with the Fergana refinery, the Company may be unable to recover payment for oil previously delivered to the Fergana refinery (estimated at a book value of approximately USD1.6 million) which has been fully written down in the 2013 annual audited consolidated financial statements. Political, regulatory and similar risks are reviewed by Management and further reviewed by the Strategic Risk Committee of the Board at which mitigating strategies and policies are discussed and agreed. The members (and advisors) of the Strategic Risk Committee include experienced diplomats, politicians, lawyers and personnel familiar with the Company's operating areas.

Critical Accounting Policies and Estimates

The annual and condensed consolidated interim financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRIC Interpretations issued by the IFRS Interpretations Committee. Please refer to the 2013 annual consolidated financial statements - Note 2 *Summary of Significant Accounting Policies* and Note 4 – *Critical Judgements and Accounting Estimates* – for further detailed discussion.

Derivative Financial Instruments

The Company has a warrant liability representing a financial liability relating to share warrants where the shares are denominated in a currency that is not the Company's functional currency. Full details are disclosed in note 21.2 of the 2013 annual consolidated financial statements.

Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Tethys are responsible for establishing and maintaining internal control over financial reporting (ICFR) as that term is defined in National Instrument 52-109 – Certification of Disclosure in Annual and Interim Filings. The CEO and CFO of Tethys are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

Management of Tethys has designed and implemented, under the supervision of its CEO and CFO, a system of internal controls over financial reporting as of March 31, 2014, which it believes is effective for a company of its size. Management of Tethys has not identified any material weaknesses relating to the design of the internal controls over financial reporting as at March 31, 2014. The Company's control system and procedures are reviewed periodically and adjusted or updated as necessary. In addition, where any new or additional risks have been identified then the management of Tethys has put in place appropriate procedures to mitigate these risks.

Significant equity investees

Details of significant equity investees are discussed in note 17 of the 2013 annual audited consolidated financial statements.

Disclosure Controls and Procedures

The CEO and the CFO are responsible for establishing and maintaining disclosure controls and procedures (DC+P) as that term is defined in NI 52-109. Disclosure controls and procedures have been designed by the Tethys Management, under the supervision of the CEO and CFO, to ensure that information required to be disclosed by the Company is accumulated, recorded, processed and reported to the Company's management as appropriate to allow timely decisions regarding disclosure.

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 Tethys' 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. Forward looking statements in this MD&A include, but are not limited to, statements with respect to: the projected 2014 capital investments projections, and the potential source of funding therefore. 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: volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; ability to successfully complete proposed equity financings; product supply and demand; market competition; ability to realise current market 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; delays in the delivery of its drilling rigs; unexpected difficulties in, transporting oil or natural gas; risks associated with technology; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; the Company's ability to access external sources of debt and equity capital; 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 of international war, hostilities, civil insurrection and instability affecting countries in which the Company and its subsidiaries operate and terrorist threats; 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.

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 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; 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.

Tethys Petroleum Limited

Interim Financial Information
(Unaudited)
March 31, 2014

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
Executive Chairman
May 15, 2014

D.S. Lay
Chief Financial Officer
May 15, 2014

Tethys Petroleum Limited

Condensed Consolidated Statement of Financial Position (unaudited)
(in thousands of US dollars)

	Note	As at March 31, 2014	As at December 31, 2013
Non-current assets			
Deferred tax	5	317	322
Intangible assets	7	42,457	31,074
Property, plant and equipment	8	15,088	15,291
Restricted cash	9	666	660
Investment in joint arrangements		4	4
		58,532	**47,351**
Current assets			
Trade and other receivables		1,369	1,358
Advances		-	4,000
Cash and cash equivalents		13,698	25,109
Restricted cash	9	489	475
Assets of a disposal group classified as held for sale	10	158,793	156,325
		174,349	**187,267**
Total assets		**232,881**	**234,618**
Equity			
Share capital	13	29,956	28,756
Share premium		311,797	307,295
Other reserves		42,740	42,621
Accumulated deficit		(187,382)	(182,533)
Non-controlling interest		6,402	6,454
Total equity		**203,513**	**202,593**
Non-current liabilities			
Financial liabilities - borrowings	11	5,744	-
		5.744	-
Current liabilities			
Financial liabilities - borrowings	11	971	4,965
Derivative financial instruments – warrants	12	36	17
Current taxation		7	144
Trade and other payables		3,609	4,946
Provisions		377	520
Liabilities of a disposal group classified as held for sale	10	18,624	21,433
		23,624	**32,025**
Total liabilities		**29,368**	**32,025**
Total equity and liabilities		**232,881**	**234,618**
Commitments and contingencies	16		

The notes on pages 6 to 22 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 15, 2014 and were signed on its behalf.

Dr. D. Robson	D.S. Lay
Executive Chairman	Chief Financial Officer

Tethys Petroleum Limited

Condensed Consolidated Statement of Comprehensive Income (unaudited)
(in thousands of US dollars)

	Note	Three months ended March 31, 2014	2013 Restated[1]
Sales and other revenues	3	6,781	10,474
Sales expenses		(744)	(644)
Production expenses		(3,798)	(3,360)
Depreciation, depletion and amortization		(151)	(4,383)
Business development expenses		(740)	(368)
Administrative expenses		(5,126)	(4,490)
Transaction costs of assets held for sale		(15)	-
Share based payments		(119)	(331)
Foreign exchange gain/(loss) - net		7	131
Fair value loss on derivative financial instrument - net		(19)	(430)
(Loss)/profit from jointly controlled entity		(1,203)	257
Finance costs - net		(603)	(685)
Loss before taxation from continuing operations		**(5,730)**	**(3,829)**
Taxation	5	1,321	(854)
Loss for the period from continuing operations		**(4,409)**	**(4,683)**
(Loss)/profit for the period from discontinued operations net of tax		**(492)**	**356**
Loss and total comprehensive income for the period		**(4,901)**	**(4,327)**
Loss and total comprehensive income attributable to:			
Shareholders		(4,849)	(4,229)
Non-controlling interest		(52)	(98)
Loss and total comprehensive income for the year		**(4,901)**	**(4,327)**
Loss per share attributable to shareholders:			
Basic and diluted – from continuing operations	6	(0.01)	(0.02)
Basic and diluted - from discontinued operations	6	-	-

No dividends were paid or are declared for the period (2013 – none).

1 - 2013 figures have been restated to exclude operations discontinued during 2013 (note 3).

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

Tethys Petroleum Limited

Unaudited Condensed Consolidated Statement of Changes in Equity (unaudited)
(in thousands of US dollars)

	Note	Share capital	Attributable to shareholders Share premium	Accumulated deficit	Option reserves	Warrant reserves	Non-controlling interest	Total equity
Balance at January 1, 2013		**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**
Comprehensive loss for the period		-	-	(12,919)	-	-	(385)	(13,304)
Dividend paid to non-controlling interest		-	-	-	-	-	(1,500)	(1,500)
Transactions with shareholders								
Share-based payments		-	-	-	555	-	-	555
Exercise of warrants		78	525	-	-	-	-	603
Total transactions with shareholders		78	525	-	555	-	-	1,158
Balance at December 31, 2013		**28,756**	**307,295**	**(182,533)**	**26,020**	**16,601**	**6,454**	**202,593**
Comprehensive loss for the period		-	-	(4,849)	-	-	(52)	(4,901)
Transactions with shareholders								
Shares issued	7	1,200	4,550	-	-	-	-	5,750
Share issue costs		-	(48)	-	-	-	-	(48)
Share-based payments		-	-	-	119	-	-	119
Total transactions with shareholders		1,200	4,502	-	119	-	-	5,821
Balance at March 31, 2014		**29,956**	**311,797**	**(187,382)**	**26,139**	**16,601**	**6,402**	**203,513**

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

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

Tethys Petroleum Limited

Condensed Consolidated Statement of Cash Flows (unaudited)
(in thousands of US dollars)

	Note	Three months ended March 31, 2014	2013
Cash flow from operating activities			
Loss before taxation from continuing operations[1]		(5,730)	(3,829)
(Loss)/profit before tax from discontinued operations[1]		(492)	469
Adjustments for			
Share based payments		119	331
Net finance cost		603	682
Depreciation, depletion and amortization		151	4,979
Fair value gain on derivative financial instruments		19	430
Net unrealised foreign exchange (gain)/loss		11	(48)
(Loss)/profit from jointly controlled entity		1,203	(257)
Movement in deferred revenue		-	(1,614)
Movement in provisions		(142)	-
Net change in working capital	15	91	1,419
Cash (used in)/generated from operating activities		**(4,167)**	**2,562**
Corporation tax paid		(138)	-
Net cash (used in)/generated from operating activities		**(4,305)**	**2,562**
Cash flow from investing activities			
Interest received		50	50
Expenditure on exploration and evaluation assets		(3,217)	(234)
Expenditures on property, plant and equipment		(4,049)	(1,030)
Movement in restricted cash		-	(18)
Movement in advances to construction contractors		953	42
Movement in value added tax receivable		(269)	884
Net change in working capital	15	258	(945)
Net cash used in investing activities		**(6,274)**	**(1,251)**
Cash flow from financing activities			
Proceeds from issuance of borrowings, net of issue costs		6,707	737
Repayment of borrowings		(6,030)	(1,862)
Interest paid on borrowings		(484)	(561)
Proceeds from issuance of equity		-	48
Share issue costs		(48)	-
Movement in other non-current liabilities		(71)	(71)
Net cash generated from/(used in) financing activities		**74**	**(1,709)**
Effects of exchange rate changes on cash and cash equivalents		99	6
Net decrease in cash and cash equivalents		**(10,406)**	**(392)**
Cash and cash equivalents at beginning of the period		25,731	1,750
Cash and cash equivalents at end of the period		**15,325**	**1,358**
Cash and cash equivalents at end of the period comprises:			
Cash in assets of a disposal group held for sale	10	1,627	-
Cash and cash equivalents		13,698	1,358
		15,325	**1,358**

1 - 2013 amounts have been restated for operations discontinued in 2013.

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

1 General information

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

The Company has its primary listing on the Toronto Stock Exchange (TSX), a standard listing on the London Stock Exchange (LSE) and secondary listing on the Kazakhstan Stock Exchange ("KASE") in Almaty.

2 Basis of preparation and accounting policies

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority ('FCA') 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, 2013.

Discontinued operation

The results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia. In accordance with the disclosure requirements for discontinued operations, the comparative figures in the Consolidated Statement of Comprehensive Income have been restated to be consistent with the current period presentation.

Disposal group held for sale

The Company has announced the sale of a 50% plus one share interest in the subsidiary company which owns its Kazakhstan businesses. The assets and liabilities of the Company's Kazakhstan businesses have therefore been grouped together in the Consolidated Statement of Financial Position as "assets of a disposal group held for sale" and shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities.

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the consolidated financial statements, in determining the ability of the Company to adopt the going concern basis in preparing the interim consolidated financial statements for the period ended March 31 2014.

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in these Condensed Consolidated Financial Statements and Management's Discussion & Analysis document. The financial position of the Company, its cash flows and liquidity position are as set out in these Condensed Consolidated Financial Statements and discussed further in Management's Discussion & Analysis document.

The Company reports a loss for the quarter ended March 31, 2014 of USD4.9m (2013: USD4.3m). As at April 30, 2014, the Company held cash of USD12.0m, having already repaid the maturing rig loan balances of USD 4.965m and having already received USD7.2m towards a total new secured loan facility of USD12m.

Subsequent to the period end, the Company has secured an irrevocable commitment to a total of USD15m with respect to a private equity placement, which will be completed in two tranches. Application has been made to the Financial Conduct Authority ("FCA") and London Stock Exchange ("LSE") for the first tranche of ordinary shares to be admitted to the listing and to be traded, which will raise gross proceeds of USD6.95 million. The second tranche of ordinary shares is subject to the approval by the FCA of a prospectus, upon which application will be made to the FCA and LSE for the second tranche of shares to be admitted to the listing and to be traded. The second tranche will raise gross proceeds of USD8.05 million and should be effective on or before the end of June 2014. The Offering is subject to the approval of the Toronto Stock Exchange. This funding will enable the Company to complete its shallow gas programme in Kazakhstan. Further details are disclosed in note 18.

On November 2, 2013, the Company agreed the sale of a 50% interest in its Kazakhstan business to SinoHan Oil and Gas Investment Number 6 B.V., part of the Han Hong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received. Timing of these approvals cannot be assured. Upon completion, the Company will receive proceeds of USD75 million, plus potential bonuses. Under the terms of pre-emption, should the Kazakh Government decide not to approve, then it is obliged to complete on the same purchase terms. Although the Company is hopeful that completion will take place in Q2 2014, completion may be delayed. .

Forecast cash flow incorporates a number of assumptions, one of which is pricing. Price risk and sensitivities are further discussed in this Management's Discussion and Analysis document.

Management has examined these issues to form a view on the Company's ability to realise its assets and discharge its liabilities in the normal course of business. After making enquiries and considering the circumstances referred to above, the Board has concluded 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.

New accounting policies

No new standards have been introduced for the current accounting period and whilst a number of amendments have been made to existing standards none of these are expected to have a material impact on the Company.

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

There are no significant new or amended standards that have been early adopted by the Company.

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 consolidated 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, Georgia and Tajikistan. The company has discontinued operations in Uzbekistan and the results for the Uzbekistan segment have been shown separately from the rest of the Company.

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 and Georgia, the Company is currently undertaking exploration and evaluation activity. A small amount of production took place in Tajikistan up until June 2013 when the Company handed back its producing wells to the State as part of the Tajik farm-out.

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 and Tajikistan according to operational requirements.

The segment results for the three months ended March 31, 2014 are as follows:

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	2,393	-	-	-	2,393	-
Oil sales	4,223	-	-	-	4,223	-
Refined product sales	-	-	-	-	-	-
Other income	5	160	-	-	165	-
Other operating income	-		-	1,207	1,207	-
Segment revenue and other income	**6,621**	**160**	-	**1,207**	**7,988**	-
Inter-segment revenue	-	-	-	(1,207)	(1,207)	-
Segment revenue and other income from external customers	**6,621**	**160**	-	-	**6,781**	-
Profit from jointly controlled entity	(1,203)	-	-	-	(1,203)	-
Profit / (loss) before taxation	**(389)**	**(80)**	**(4)**	**(5,257)**	**(5,730)**	**(492)**
Taxation	1,326	-	-	(5)	1,321	-
Net profit / (loss) for the period	**937**	**(80)**	**(4)**	**(5,262)**	**(4,409)**	**(492)**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD25,321 and USD111,061 incurred in the Corporate segment were capitalised in the Kazak and Tajik segments respectively during the period.

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

	Kazakhstan	Tajikistan	Georgia	Other and Corporate	Continuing operations	Uzbekistan[1]
Gas sales	2,323	-	-	-	2,323	-
Oil sales	7,654	409	-	-	8,063	-
Refined product sales	-	-	-	-	-	2,079
Other income	73	-	-	15	88	-
Other operating income	-	-	-	918	918	-
Segment revenue and other income	**10,050**	**409**	**-**	**933**	**11,392**	**2,079**
Inter-segment revenue	-	-	-	(918)	(918)	-
Segment revenue and other income from external customers	**10,050**	**409**	**-**	**15**	**10,474**	**2,079**
Profit from jointly controlled entity	257	-	-	-	257	-
Profit / (loss) before taxation	**1,750**	**(583)**	**-**	**(4,996)**	**(3,829)**	**469**
Taxation	(854)	-	-	-	(854)	(113)
Net profit / (loss) for the period	**896**	**(583)**	**-**	**(4,996)**	**(4,683)**	**356**

Note 1 Discontinued operation in 2013.

Borrowing costs of USD5,399 and USD14,420 incurred in the Corporate segment were capitalised in the Tajik and Kazakh segments respectively during the year.

The segment assets and liabilities as at March 31, 2014 and capital expenditures for the three months then ended are as follows:

	Kazakhstan[2]	Tajikistan	Georgia	Uzbekistan	Other and Corporate	Group
Total assets	158,793	31,837	10,760	71	31,420	232,881
Total liabilities	18,624	994	307	1,153	8,290	29,368
Cash expenditure on exploration & evaluation assets, property, plant and equipment	5,375	877	778	-	236	7,266

Note 2 Assets of a disposal group held for sale, refer to note 10 for further details.

The segment assets and liabilities at December 31, 2013 and capital expenditures for the three months ended March 31, 2013 were as follows:

	Kazakhstan[2]	Tajikistan	Uzbekistan	Other and Corporate	Group
Total assets	156,325	32,998	73	45,222	234,618
Total liabilities	21,433	2,346	1,517	6,729	32,025
Cash expenditure on exploration & evaluation assets, property, plant and equipment	604	421	239	-	1,264

Note 2 Assets of a disposal group held for sale, refer to note 10 for further details.

4 Share-based payments

Share options

Full details of the share options and stock incentive plan are outlined in the Company's annual consolidated financial statements for the year ended December 31, 2013. 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, 2014 and March 31, 2013.

	Number of options	Weighted average exercise price $
Outstanding at January 1, 2014	33,707,400	1.35
Granted	120,000	0.72
Outstanding at March 31, 2014	**33,827,400**	**1.34**
Exercisable at March 31, 2014	**31,788,400**	**1.38**
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**

A charge for the value of services of USD119,094 (2013 - USD352,026) was recorded for the period, of which nil (2013 – USD20,633) was capitalised.

Warrants

The following tables summarize the warrant activity for the period ended March 31, 2014 and March 31, 2013.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2014	2,267,038	2.38
Expired	(64,500)	0.77
Outstanding at March 31, 2014	**2,202,538**	**2.43**
Exercisable at March 31, 2014	**2,202,538**	**2.43**
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**

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. The warrants granted above were issued in connection with commissions payable to brokers with respect to the Rig loans rolled over in 2012 and 2013 (note 11).The warrants granted above were issued in connection with commissions payable to brokers with respect to the Rig loans rolled over in 2012 and 2013 (note 11).

5 Taxation

Tethys is domiciled in the Cayman Islands which has no Company income tax. The Company 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, 2014	December 31, 2013
Tax losses	(317)	(322)
Net deferred tax (asset)/ liability	(317)	(322)
Liabilities of disposal group (note 10)		
Capital assets	4,588	5,322
Tax losses	(1,455)	(887)
Other	216	249
Net deferred tax (asset)/ liability	**3,349**	**4,684**

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

	Three months ended	
	March 31, 2014	**March 31, 2013**
Loss before income taxes from continuing operations	(5,730)	(3,829)
Income tax rate	20%	20%
Expected income tax (recovery)	**(1,146)**	**(766)**
Increase/ (decrease) resulting from:		
Amounts treated differently for tax and accounting purposes[1]	(4,248)	52
Impact of effective tax rates in other foreign jurisdictions	596	937
Losses and tax assets not utilised/recognised	1,156	270
True-ups of tax balances[1]	2,321	369
Other	-	(8)
	(1,321)	**854**
Current tax expense	-	-
Deferred tax (benefit) / expense	(1,321)	854

Note 1 – amounts were significantly affected by the devaluation of the Kazakh Tenge during the current period.

6 Loss per share

	Loss for the period	Weighted average number of shares (thousands)	Per share amount $
Three months ended March 31, 2014			
Loss from continuing operations attributable to ordinary shareholders – Basic and diluted	(4,357)	299,558	(0.01)
Loss from discontinued operations attributable to ordinary shareholders – Basic and diluted	(492)	299,558	-
Three months ended March 31, 2013			
Loss from continuing operations attributable to ordinary shareholders – Basic and diluted	(4,585)	286,783	(0.02)
Profit from discontinued operations attributable to ordinary shareholders – Basic and diluted	356	286,783	-

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 Intangible assets

	Exploration and evaluation assets		
	Georgia	Tajikistan	Total
At December 31, 2013			
Cost	-	31,074	31,074
Accumulated amortisation and impairment		-	-
Net book amount	-	31,074	31,074
Three months ended March 31, 2014			
Opening net book amount	-	31,074	31,074
Additions	10,485	898	11,383
Closing net book amount	**10,485**	**31,972**	**42,457**
At March 31, 2014			
Cost	-	31,972	42,457
Accumulated amortisation and impairment	-	-	-
Net book amount	**10,485**	**31,972**	**42,457**

On January 2, 2014, the Company announced that it had received the appropriate governmental consent for the acquisition of a 56% interest in Blocks XIA, XIM and XIN (Project "Iberia") in eastern Georgia for a payment of 12,000,000 of the Company's ordinary shares and funding a USD 4.4 million carry on the next USD 10 million work programme of which USD 4 million was advanced prior to December 31, 2013. Additions to intangible assets during the current period principally relate to the Company's initial investment in the Georgian blocks and reflect a market price for the Company's shares of CAD0.51 per share on January 2, 2014.

8 Property, plant and equipment

	Oil and gas equipment	Vehicles	Office and computer equipment	Total
At December 31, 2013				
Cost	22,184	714	813	23,711
Accumulated depreciation and impairment	(7,575)	(359)	(486)	(8,420)
Net book amount	**14,609**	**355**	**327**	**15,291**
Three months ended March 31, 2014				
Opening net book amount	14,609	355	327	15,291
Additions	-	24	189	213
Depreciation	(365)	(14)	(37)	(416)
Closing net book amount	**14,244**	**365**	**479**	**15,088**
At March 31, 2014				
Cost	22,184	738	1,002	23,924
Accumulated depreciation and impairment	(7,940)	(373)	(523)	(8,836)
Net book amount	**14,244**	**365**	**479**	**15,088**

9 Restricted Cash

Non Current

	March 31, 2014	December 31, 2013
Restricted cash	666	660

The above amounts consist of a deposit of GBP 400,000 placed as security with respect to amounts owed to Vazon Limited (note 14). The prior year amount also included interest bearing bank deposits held in Kazakhstan which have been placed to satisfy local Kazakhstan requirements in respect of asset retirement obligations (note 10).

Current

	March 31, 2014	December 31, 2013
Restricted cash	489	475

The above amounts consist of monies placed on temporary deposit as a security against corporate credit cards and a deposit with the Ministry of Finance in Dubai as fixed term deposits with banks.

10 Assets and liabilities of disposal group held for sale

On November 2, 2013 Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. part of the HanHong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The sale is subject to Kazakh State approvals, including the waiver on pre-emption (Article 36). Closing will take place once these approvals are received.

The Company has considered the structure of the arrangement with Sinohan, the legal form of the vehicles through which the arrangement will be conducted, the contractual terms of the arrangement and other facts and circumstances and determined that the arrangement should be a classified as a joint venture, where the Company has rights to the net assets of an arrangement.

Once the sale transaction completes the Company will no longer control and consolidate the Kazakhstan businesses but will instead exercise joint control with Sinohan and account for its interest in the joint venture using the equity method of accounting. The Company's investment in the joint venture will be shown in the consolidated statement of financial position initially at fair value and adjusted thereafter for changes in the Company's share of net assets of the joint venture, less distributions received and less any impairment in value of the investment. The Company's consolidated statement of comprehensive income will reflect the Company's share of the results after tax of the jointly venture.

The following table provides additional information with respect to the assets and liabilities of the disposal group held for sale.

	March 31, 2014	December 31, 2013
Non-current assets		
Intangible assets	28,294	26,467
Property, plant and equipment	111,713	107,710
Restricted cash	1,633	1,664
Prepayments and other receivables	6,110	10,639
Investment in jointly controlled entities	1,116	1,116
	148,866	**147,596**
Current assets		
Inventories	1,170	1,446
Trade and other receivables	5,613	3,985
Loan receivable from jointly controlled entity	1,517	2,676
Cash and cash equivalents	1,627	622
	9,927	**8,729**
Total assets	**158,793**	**156,325**
Non-current liabilities		
Financial liabilities - borrowings	3,565	5,171
Deferred taxation	3,349	4,684
Trade and other payables	250	263
Asset retirement obligations	855	795
	8,019	**10,913**
Current liabilities		
Financial liabilities - borrowings	3,190	3,776
Trade and other payables	7,415	6,744
	10,605	**10,520**
Total liabilities	**18,624**	**21,433**
Net assets	**140,169**	**134,892**

11 Financial liabilities

	Effective interest rate	Maturity date	March 31, 2014	December 31, 2013
Current				
Rig loans – Option A	19.9% p.a.	2014	-	3,538
Rig loans – Option B	19.5% p.a.	2014	-	1,427
Rig loans	14.76%p.a.	2017	971	-
Non-current				
Rig loans	14.76% p.a.	2017	5,744	-
			6,715	**4,965**
Liabilities of disposal group (note 10)				
Current				
Kazakh loan	14.0% p.a.-15.9% p.a.	2014	3,190	3,776
Non-current				
Kazakh loan	14.0% p.a.-15.9% p.a.	2016	3,565	5,171
			6,755	**8,947**

Rig loans

On February 13, 2014, the Company entered into a new loan agreement to borrow up to USD 12 million. The loan is secured by the shares of the borrower, a wholly owned subsidiary of the Company, which in turn owns the ZJ70 and ZJ30 rigs and other equipment. At March 31, 2014 loans with a face value of USD4.365 million and GBP1.581 million had been borrowed under the agreement.

The lenders receive an initial repayment followed by 34 equal monthly instalments, incorporating interest and capital, together with a single balloon repayment of half of the principal amount at the maturity date.

These borrowings are held at amortized cost with interest payable of 12% per annum and an effective interest rate of 14.76% per annum.

The previous rig loans were fully repaid during February 2014. Warrants to acquire ordinary shares in the Company were issued to lenders in connection with those loans. Details of these warrants are given in note 11.

Kazakh loan

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 "bank loan facility"). The loan balance has been included within the liabilities of a disposal group held for sale, see note 10 for further details.

The bank loan facility was arranged by Eurasia Gas Group LLP, with the Company's consent, and is a bank loan to Eurasia Gas Group LLP, the Company's joint venture partner in Aral Oil Terminal LLP ("AOT"), whereby Eurasia Gas Group LLP draws down on the bank loan facility with the approval of the Company and funds are transferred to the Company's subsidiary, Tethys Aral Gas ("TAG"). The bank loan facility has a term of up to four years depending on the Company's 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, 2014, 1.935 billion KZT ($12.9 million) of funds have 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 14.99%).

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, 2014	December 31, 2013
Balance, beginning of period / year	17	523
Issued during the period / year	-	461
Exercised	-	(137)
Fair value gain	19	(830)
Balance, end of period / year	**36**	**17**

The fair value of the liability is estimated using the Black-Scholes pricing model using the following average assumptions:

	March 31, 2014	December 31, 2013
Weighted average fair value	$0.02	$0.04
Risk free rate	0.90%	0.93%
Expected term	0.3 year	0.4 year
Volatility	54.7%	51.9%
Dividend	Nil	Nil

The following table summarizes the warrant activity for the periods ended March 31, 2014 and March 31, 2013.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2013	5,775,000	0.81
Granted	1,811,051	0.78
Expired	(75,000)	0.65
Outstanding at March 31, 2013	**7,511,051**	**0.81**
Exercisable at March 31, 2013	**7,511,051**	**0.81**
Outstanding at January 1, 2014	4,125,000	0.81
Expired	(1,819,051)	0.78
Outstanding at March 31, 2014	**2,305,949**	**0.83**
Exercisable at March 31, 2014	**2,305,949**	**0.83**

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, 2014 Number	December 31, 2013 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	Share Premium
At January 1, 2013	286,707,744	28,671	306,725
Issued during the year in connection with the exercise of share options	850,000	85	570
At December 31, 2013	**287,557,744**	**28,756**	**307,295**
At January 1, 2014	**287,557,744**	**28,756**	**307,295**
Issued during the period	12,000,000	1,200	4,550
Cost of share issues	-	-	(48)
At March 31, 2014	**299,577,744**	**29,956**	**311,797**

The Company issued 12,000,000 shares on July 9, 2013 in connection with the proposed acquisition of certain Georgian assets. These shares were held in escrow pending Georgian governmental consent for the acquisition which was received on January 2, 2014. Whilst these shares were issued as at December 31, 2013, they did not qualify for recognition as equity of the company at that date as the conditions required to release the shares to the seller had not yet been met. The conditions were met on January 2, 2014 and so the shares have been included in the table above from that date.

14 Related party transactions

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

Vazon Energy Limited

Vazon Energy Limited ("Vazon") is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, 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, 2014 was USD376,844 (2013 – USD458,352). As at the date of these consolidated financial statements, the services of Dr. Robson and two other Vazon employees are provided to the Company.

On June 17, 2013 the company made a deposit of GBP 400,000 as security for amounts owing to Vazon under the management services contract. The deposit is non-current and access to it is restricted (note 9).

Oilfield Production Consultants

Oilfield Production Consultants (OPC) Limited and Oilfield Production Consultants (OPC) USA LLC have one common director with the Company. OPC participated in the 2014 loan financing described in note 11 advancing USD400,000 to the Company. The balance due to OPC at March 31, 2014 was USD395,119.

Related party transactions with key management personnel

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 USD 6,143 and USD 21,983 respectively. Loans advanced were USD 150,000 and GBP 300,000 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 USD 2,940 and USD 25,891 respectively. These loans were repaid in full in February 2014 and the warrants expire in May and June 2014.

Ambassador Khalilzad is a non-executive director of the Company. His company, Khalilzad Associates, provides consultancy services with respect to business development. Total fees for these services amounted to USD15,000 for the period ended March 31, 2014 (2013 – USD15,000).

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

Three non-executive directors of the Company participated in the 2014 rig loan financing described in note 11. In addition non-interest bearing advances have been made to three officers of the Company. Amounts advanced during the period and balances outstanding at the end of the period are shown in the table below.

	Three months ended		**Balance as at**	
	March 31, 2014	**March 31, 2013**	**March 31, 2014**	**December 31, 2013**
Loans advanced to Company:				
Non-executive director (USD)	200	-	198	-
Non-executive director (USD)	150	-	148	-
Non-executive director (GBP)	60	-	59	-
Amounts advanced by Company:				
Officer (AED)	-	-	66	99
Officer (AED)	-	-	93	163
Officer (USD)	-	-	4	17

15 Changes in working capital

	Three months ended	
	March 31, 2014	**March 31, 2013**
Trade and other receivables	(1,639)	(63)
Inventories	276	813
Trade and other payables	(662)	44
Change in working capital	**(2,025)**	**794**
Non-cash transactions	2,374	(320)
Net changes in working capital	**349**	**474**

Net changes in working capital are categorized in the Condensed Consolidated Statement of Cash Flows as follows:

	Three months ended	
	March 31, 2014	**March 31, 2013**
Operating activities	91	1,419
Investing activities	258	(945)
Balance	**349**	**474**

16 Commitments and contingencies

Kazakhstan

On November 1, 2013, Tethys announced the sale of a 50% interest in its Kazakhstan businesses. The assets and liabilities of the Kazakhstan businesses have been shown in these accounts as a disposal group help for sale (note 10). The commitments and contingencies of the Kazakhstan businesses are as follows:

Akkulka Production Contract

On December 23, 2009, TAG and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("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 USD2,698,531 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.

Work programmes for the period October 1, 2012 to October 1, 2015 have been agreed totalling USD4,421,300, against which payments of USD3,455,371 have been made to date.

Akkulka Exploration Contract

Work programmes for 2013 to end of March 2015 have been agreed totalling USD27,277,000, against which payments of USD29,882,841 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 USD3,275,780. To date, the Company has paid two amounts of USD49,137 each in relation to this balance. If and when commercial production commences, USD 88,666 is due in quarterly instalments until the remaining historical costs of USD 3,177,506 have been paid in full.

Work programmes for the period November 11, 2013 to November 11, 2015 have been agreed totalling USD14,894,300, against which payments of USD4,331,427 have been made to date.

Tajikistan

Bokhtar Production Sharing Contract

Bokhtar Operating Company B.V., in which the Company has a 33.33% interest, had contractual commitments of USD496,190 at March 31, 2014 of which USD357,248 had been accrued.

Under the terms of the farm-out agreement entered into on June 18, 2013 with its joint venture partners the Company is only required to contribute 11.11% or USD9 million of the first USD 80 million of the initial work programme.

Georgia

Work programmes have been agreed with the Georgian Government which require the Company to conduct at least 100km of seismic studies by July 1, 2015. As referred to in note 7 the Company has a 56% interest in three blocks in Eastern Georgia and is responsible for funding the first USD10 million of the work programme and 56% of costs thereafter. The Company has already contributed USD4million towards the work programme.

17 Operating leases

Leases as a lessee:

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

March 31, 2014	Total	Less than 1 year	1 – 3 years	Greater than 3 years
Operating leases	1,909	813	999	97

December 31, 2013	Total	Less than 1 year	1 – 3 years	Greater than 3 years
Operating leases	1,206	734	343	129

18 Subsequent events

On May 14, 2014, the Company announced that it had entered into a placing agreement with FirstEnergy Capital LLP and Cantor Fitzgerald Europe as placing agents ("Placing Agents") to raise USD 13,000,000 with new and existing investors (the "Placing") and agreed to raise USD 2,000,000 with new and existing investors by way of direct subscription (the "Direct Subscription"). The Direct Subscription and the Placing are together referred to as the "Offering". When completed, the Offering will raise gross proceeds of USD 15 million.

The Offering will be completed in two tranches. 17,105,764 ordinary shares will be issued in the "First Tranche" (the "First Tranche Shares"), raising gross proceeds of USD 6.95 million. 19,789,159 ordinary shares will be issued in the "Second Tranche" (the "Second Tranche Shares"), raising gross proceeds of USD 8.05 million. The Offering is subject to the approval of the Toronto Stock Exchange.

Application has been made to the Financial Conduct Authority ("FCA") for the First Tranche Shares to be admitted to listing on the Official List and to the London Stock Exchange for such First Tranche Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("First Tranche Admission"). It is expected that First Tranche Admission will become effective on or around 19 May 2014.

Subject to the approval of a prospectus by the FCA, application will be made to the FCA for all the Second Tranche Shares to be admitted to listing on the Official List and to the London Stock Exchange for such Second Tranche Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("Second Tranche Admission"). It is expected that Second Tranche Admission will become effective on or before end June 2014.