TETHYS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2013

The three months ended March 31, 2013 compared to March 31, 2012

(All references to $ are United States dollars unless otherwise noted)
(Tabular amounts are in thousands, unless otherwise stated.)

	2013	2012	Change
Revenue from oil and gas sales	12,553	6,487	94%
Net loss	(4,327)	(6,848)	-37%
Basic and diluted loss ($) per share	(0.01)	(0.02)	
Capital expenditure	1,264	1,209	5%
Total Assets	246,896	253,945	-3%
Non-current Liabilities	(9,883)	(5,656)	75%
Cash balance	1,835	4,803	-62%
Common shares outstanding			
Basic and diluted	286,782,744	286,707,744	0%

The following Managementôs Discussion and Analysis (ñMD&Aò) is dated May 15, 2013 and should be read in conjunction with the Companyôs unaudited Condensed Consolidated Interim Financial Statements and related notes for the period ended March 31, 2013 as well as the audited Consolidated Financial Statements and the MD&A for the year ended December 31, 2012. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Companyôs Audit Committee and Board of Directors. The annual 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 ñInterim Financial Reportingò and the requirements of the Disclosure and Transparency Rules (óDTRô) of the Financial Services Authority (óFSAô) in the United Kingdom as applicable to interim financial reporting. Additional information relating to the Company can be found on the SEDAR website at *www.sedar.com*. Readers should also read the ñForward-Looking Statementsò legal advisory contained at the end of this MD&A and also the Companyôs AIF.

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

1) Managementôs Discussion & Analysis: this includes the requirement of National Instrument 51-102 of Canadian Securities Administrators (ñCanadian NI 51-102ò) in respect of a quarterly Managementôs Discussion & Analysis and the requirements of the UKôs 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 UKôs Disclosure & Transparency Rules with respect to DTR4.3, Interim management statements and a directorsô responsibility statement.

Highlights and Significant Transactions

On January 31, 2013, the Company announced that it had effectively doubled the net price of the gas that it is selling in Kazakhstan. Two gas supply contracts have been signed by TAG with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC, for the Kyzyloi and Akkulka natural gas fields. The contracts are for annual volumes up to 150 million cubic metres at an increased price of USD 90.0 per Mcm (USD 2.56 per Mcf) of gas (USD 100.8 per Mcm or USD 2.9 per Mcf including VAT). Sales costs are USD 25.0 per Mcm. The contract runs through to December 31, 2013. The net price to the Company after sales costs is effectively double the price obtained for previous gas sales in Kazakhstan.

On February 28, 2013, the Company announced it had extended the exploration period for the Kul-Bas Exploration and Production Contract by a further two years until November 11, 2015. The Kul-Bas contract area surrounds the Akkulka contract area which contains the Company's producing oil and gas fields. This extension gives further time to explore this attractive area, which has several prospects and leads.

Revenue from oil and gas sales in the three months to March 31, 2013 was USD12.553 million, which represented an increase of 94% on the USD6.487 million in the same period of 2012.

The loss for the three months to March 31, 2013 was USD4.327 million, which represented a reduction of 37% on the USD6.848 million loss for the same period in 2012.

In the three months to March 31, 2013, capital expenditure was USD1.264 million compared to USD1.209 million in the three months ended March 31, 2012.

Production costs in the three months to March 31, 2013 were USD4.062 million compared to USD2.910 million in the three months ended March 31, 2012 reflecting the additional production costs associated with the enhanced levels of oil production achieved in Kazakhstan.

Administrative costs in the three months to March 31, 2013 at USD4.670 million were 3% lower than the USD4.797 million incurred in the period to March 31, 2012.

In the three months to March 31, 2013 the Company recorded a profit before non-cash items of USD2.805 million compared to a loss of USD1.657 million in the three months ended March 31, 2012. Profit before non-cash items (a Non GAAP measure) is defined as: Revenue less Production costs, Administrative Costs, Listing Expenses, Business Development Expenses and Foreign Exchange ï see table on page 8.

Nature of Business

Tethys Petroleum Limited and its subsidiaries (collectively ñTethysò or ñthe Companyò) has its principal executive office in Guernsey, British Isles. The domicile of Tethys Petroleum Limited is the Cayman Islands where it is incorporated. Tethysô principal activity is the exploration for and production of crude oil and natural gas. The Company currently has projects in the Republic of Kazakhstan, the Republic of Tajikistan and the Republic of Uzbekistan.

Financial and Operational Review

Kazakhstan Gas Production (Kyzyloi contract)

Period		2013					2012			
		Mcm[1]	Mcf[2]	Mcm/d[3]	boe/d[4]		Mcm[1]	Mcf[2]	Mcm/d[3]	boe/d[4]
Q1		19,242	679,429	214	1,258		35,242.2	1,244,402	387	2,279

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 Bukharaï 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.

- Initial production from the Kyzyloi Field was sold under the long-term take-or-pay contract signed between TAG and gas trading company GazImpex in January 2006. This contract was assigned in December 2007 from GazImpex to the Kazakhstani Petrochemical Company Kemikal LLP, who utilized the gas in the domestic Kazakh market. This contract was further assigned on May 1, 2009 to Asia Gas NG LLP. The contract price was USD32 per Mcm excluding VAT or USD35.84 per Mcm including VAT at the current 12% rate.

- The long-term take-or-pay contract expired in December 2012 and in late January 2013 TAG signed a contract with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC. This Kyzyloi contract, along with a similar one for Akkulka, is for annual volumes up to 150 million cubic metres at an increased price of USD 90.0 per Mcm (USD 2.56 per Mcf) of gas (USD 100.8 per Mcm or USD 2.9 per Mcf including VAT). Sales costs are USD 25.0 per Mcm. The contract runs through to December 31, 2013. The net price to the Company after marketing and distribution costs is effectively double the price obtained for previous gas sales in Kazakhstan.

- Between the expiry of the old sales contract at December 31, 2012 and the signing of the new contract at the end of January 2013 production was put on hold.

- To the end of Q1 2013 some 682 MMcm of gas have been produced from the Kyzyloi field.

Kazakhstan Gas Production (Akkulka contract)

Period		2013					2012			
		Mcm[1]	Mcf[2]	Mcm/d[3]	boe/d[4]		Mcm	Mcf	Mcm/d	boe/d
Q1		7,413	261,753	82	485		16,273	574,602	179	1,053

- On September 16, 2010, the Company commenced the second phase of gas development (referred to as ñPhase 2ò of the Kyzyloi / Akkulka shallow gas development) with commencement of production from the Akkulka Field on October 6, 2010.

- In conjunction with this, the Company entered into a second gas sales contract with Asia Gas NG LLP pursuant to which gas was sold from the Akkulka Field at a price of USD33.93 per Mcm excluding VAT or USD38 per Mcm including VAT. Gas sold under this contract was for domestic sales and, as such, was subject to a Mineral Extraction Tax of approximately 0.5% to the Kazakh State.

- As with the Kyzyloi long-term take-or-pay contract the Akkulka sales contract expired at the end of December 2012 and in late January 2013 TAG signed a contract with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC. This Kyzyloi contract, along with a the one for Kyzyloi, is for annual volumes up to 150 million cubic metres at an increased price of USD 90.0 per Mcm (USD 2.56 per Mcf) of gas (USD 100.8 per Mcm or USD 2.9 per Mcf including VAT). Sales costs are USD 25.0 per Mcm. The contract runs through to December 31, 2013. The net price to the Company after Sales costs is effectively double the price obtained for previous gas sales in Kazakhstan.
- Between the expiry of the old sales contract at December 31, 2012 and the signing of the new contract at the end of January 2013 production was put on hold.
- To the end of Q1 2013 some 172 MMcm of gas have been produced from the Akkulka gas field.
- TAG has made eleven shallow gas discoveries in the Akkulka Exploration Licence and Contract area. The Akkulka Production Contract now covers seven of these wells, of which four are currently producing from a similar horizon to the Kyzyloi Field and are tied into the Companyôs existing pipeline infrastructure, with additional compression having been installed at the BCS. The development of the other gas discoveries already made in the Akkulka Block is planned as Phase 3.
- The Company is hopeful that, with the completion of the Kazakhstan ï China gas pipeline (which the Company understands is scheduled for 2013/2014); further increases to gas prices may be obtained with more competition from gas buyers for supply.

Kazakhstan Oil Production (Akkulka contract)

	2013					2012				
Period	Gross fluid		Net	Net Production		Gross fluid		Net	Net Production	
	m3	barrels	barrels	days	bopd	m3	barrels	barrels	days	bopd
Q1	53,168	334,419	288,042	90	3,200	17,149	105,082	94,463	91	1,038

Note: These figures have been calculated on the total number of days in the period and have not been restricted to the number of production days as in pre-2012 MD&Aôs.

- On September 10, 2010, the Company commenced selling untreated oil at the well site of AKD01 (under test production at a permitted level of up to 750 barrels of oil per day (ñbopdò)) to an oil trading company which transported the oil 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. Tethys sold the unprocessed oil at the wellhead at an initial price of USD22 per barrel (ñbblò). This test production scheme was implemented to gain reservoir information, realize early cash flow and also to prepare for the higher production and associated logistics for the next stage.
- On January 11, 2011, TAG received Kazakh State approval from MOG for the Pilot Production Project for the Doris oil discovery in the Akkulka Block. This approval granted TAG the right to produce oil from the Doris discovery under the exploration contract and allowed the Company to install and operate production facilities for the planned (Phase 2) production target. Once the Pilot Production Project is fully completed, the relevant final reserve calculations will be submitted to MOG to receive a production contract which will allow for full field development and foreign or domestic sales. The Company is expected to apply for a production contract after the appraisal programme for the Doris oil discovery is complete.
- AKD01 has been producing consistently since pilot production commenced in January 2011.
- Test production from well AKD05 commenced in June 2011 and carried on into July 2011. There was then a gap in August and September before commercial production commenced in October 2011. The well was

closed during the severe winter of 2011/2012 and has on occasion been closed as a result of the shortage of rail trucks.

- The AKD06 well was originally tested in November and December 2011 and was then closed until mid - April 2012 when it was opened for continued testing. This well continues to perform to expectations.
- In January and February of 2013 the oil production exceeded the levels of production achieved in the previous year as the weather conditions were not as severe as in the same period of 2012 and the trucking distance has effectively been halved due to the construction of the Aral Oil Terminal (ñAOTò). However, in March 2013 production was adversely affected by a combination of a shortage of railcars and the weather. The shortage of rail cars developed due to a surplus of refineries products at refineries resulting from Russiaôs increase in export of oil and refined products into Kazakhstan under the customs treaty between the two countries. The result of all this was that the refineries were full and the rail trucks loaded with oil heading towards the refineries were not being accepted meaning that there was a shortage of rail trucks thus resulting in the TAG oil production in March and April being adversely affected. In January and February 2013 TAG received USD33/barrel at the field (including VAT) which equates to an approximate sales price at the refinery of USD55-USD60/barrel based on current costs associated with trucking the oil to the AOT, the toll for using the AOT (Tethys owns 50% of the AOT and receives 50% of all profits from it), and sending by rail car to the refinery. However, the price received at the field was lower in March and April 2013 due to the instability in the refined product prices in Kazakhstan due to the above reason, which resulted in TAG receiving USD30/barrel at the field. A further downward pressure on the realised oil price occurred in January 2013 when the Kazakh domestic railway tariffs were increased by more than 30% while there was no increase in the fixed oil sales price in the Kazakh domestic market. The Company has been informed by the current oil buyer that it expects to see this situation stabilise in the near future and it is expected that by June 2013 the price will increase back to the same level as previous months. Currently TAG has to sell oil on the domestic market but once it has obtained a Production Contract it can export the oil and realise the much higher export price. It expects to have achieved a production contract by Q4 2014.
- To the end of Q1 2013 some 1.8 MMbbls of oil had been produced from the Doris discovery.

Joint Venture

On February 17, 2011, the Company signed a joint venture agreement to construct and operate AOT, a rail oil loading terminal at Shalkar in Kazakhstan. Transcontinental Oil Transportation SPRL (ñTOTò), a wholly owned subsidiary of the Company, and Olisol Investments Limited, a local partner with strong experience in the oil distribution business in Kazakhstan, each has a 50% interest in the project. In the second quarter commercial oil sales commenced through the AOT which effectively halved the oil trucking distance providing better control over the oil sales. Production was steadily increased over a period as each part of the sales chain was optimized.

The AOT facility construction comprises three phases:

Phase 1 - Completed

The Phase 1 facility has a loading capacity of 4,200 bopd and a storage capacity of 1,300 bbls. Under Phase 1 operations, the terminal has the ability to unload 10 road tankers and to simultaneously load 5 rail tankers.

Phase 2 ï Completed (subject to final state approval)

AOT Phase 2 construction allows an increase in throughput capacity from 4,200 bopd up to 6,300 bopd with the installation of two x 1000 m3 tanks (approximately 12,500 bbls), associated dehydration and pumping equipment. This additional storage capacity will reduce the interruptions to TAG oil production caused by situations like the recent shortage of railway trucks.

During Phase 2 operations the facility becomes operational 24 hours a day. Further enhancements during Phase 2 operations include soil and water metering systems and a heating capability for winter operations. All process equipment will also become automated during Phase 2 operations.

Under Phase 2 operations, the facility will incorporate an electrical dehydrator for the commercial treatment of crude oil which is expected to result in a higher oil price

It is anticipated that the final state approval of the storage tanks will be received in Q2 2013 while approval of the electrical dehydrator is not expected until early in Q3 2013.

Phase 3 ï Ongoing

On completion of Phase 3, the facility will have an estimated loading capacity of 12,000 bopd and a storage capacity of 125,800 bbls of crude oil, plus an additional 12,580 bbl storage for refined products. Under Phase 3 operations, the terminal will have the ability to unload 10 road tankers and to simultaneously load 10 rail tankers.

In addition, AOT will be able to act as a rail logistics terminal for equipment to be moved to and from the Doris oil field and surrounding operations, and used to transport refined products for operations.

The Company is currently producing approximately 4,000 bopd. It is planned to expand the capacity of the terminal to more than 12,000 bopd upon completion of Phase 3 to accommodate future potential production growth which is dependent upon further drilling success.

Uzbekistan Oil Production (North Urtabulak PEC)

Total Production from TPU under PEC

			2013				2012		
Period			Total Production				Total Production		
			Tonnes	Barrels*	bopd		Tonnes	Barrels*	bopd
Q1			6,475	46,488	517		9,004	64,379	707

After State Take

			2013				2012		
Period			TPU share				TPU share		
			Tonnes	Barrels*	bopd		Tonnes	Barrels*	bopd
Q1			1,498	10,754	119		2,443	17,469	192

** using 7.18 barrels = 1 tonne*

- The Company, through Tethys Production Uzbekistan (ñTPUò), owns a 100% contractor interest in the North Urtabulak PEC for the North Urtabulak Field, together with subsidiaries of Uzbekneftegaz (ñUNGò). This field is located in southern Uzbekistan in the northern portion of the Amu Darya basin. The North Urtabulak PEC does not confer ownership of the North Urtabulak Field to TPU and no reserves or resources have been attributed to TPUôs interest under the North Urtabulak PEC to date.
- Under the North Urtabulak PEC, the contractor receives 50% of all incremental production from each well from the North Urtabulak Field for the first three years of production, with the remaining 50% to be shared between the Uzbek State Partners. For the subsequent five years, the contractor receives 20%, and the Uzbek State Partners 80% of the same. At Q1 2013 the majority of the wells were on the 20% basis.
- As at March 31, 2013, the Company was producing approximately 418bopd (gross), 95 bopd (net), from 14 wells under the North Urtabulak PEC, of which 12 were past their first three years of production. During Q1 2013 a number of the wells that had previously been on a gas injection basis were converted to Rotaflex which had an adverse impact on production during the conversion process.

Tajikistan Oil Production (Beshtentak field)

		2013					2012			
		Total Production					Total Production			
		Tonnes	Barrels*	Production days	bopd		Tonnes	Barrels*	Production days	bopd
Q1		969	7,053	90	78		500	3,640	91	40

** using 7.28 barrels = 1 tonne*

The Beshtentak well BST20 was worked over by applying modern perforating and acidisation techniques. The Company announced in October 2011 that the well was producing over 500 bopd, accompanied by 12,500 cubic metres (441 thousand cubic feet) of gas per day on a restricted choke (10 mm ï 25/64 inch) with a flowing tubing head pressure of 26 atmospheres (377 psi). The oil has an API gravity of 38 degrees. Initial sales agreements were signed and the first payments from oil sales received.

The well was placed on oil production and the gas was tied into the nearby local gas grid but subsequently production performance indicated possible communication with the nearby BST103 well which is producing gas from the field for the city of Kulob, this gas being part of the ñbase levelò production on the field assigned to the Tajik State. As a result, the BST20 production dropped significantly. At present, BST20 is producing approximately 50 bopd gross to the PSC.

Production Summary

In the first quarter of 2013, the oil and gas production levels achieved (before the deduction of local governments share or taxation) were as follows:

Country	**Oil**	**Gas**		**Combined**
	bopd	Mcm/d	boe/d	boe/d
Kazakhstan	3,200	296	1,743	4,943
Uzbekistan	517	-	-	517
Tajikistan	78	-	-	78
Total	**3,795**	**296**	**1,743**	**5,538**

The above table calculates the Mcm/d making no allowance for the the fact that gas production was shut down in January while the new sales contract was being negotiated. If we were to calculate the Mcm/d using production days the table would be as follows:

Country	**Oil**	**Gas**		**Combined**
	bopd	Mcm/d	boe/d	boe/d
Kazakhstan	3,200	437	2,571	5,771
Uzbekistan	517	-	-	517
Tajikistan	78	-	-	78
Total	**3,795**	**437**	**2,571**	**6,366**

While in the same period of 2012 the production levels were as follows:

Country	Oil	Gas		Combined
	bopd	Mcm/d	boe/d	boe/d
Kazakhstan	1,038	566	3,332	4,384
Uzbekistan	707	-	-	707
Tajikistan	40	-	-	40
Total	**1,785**	**566**	**3,332**	**5,117**

Financial Review

Loss before tax

The Company recorded a net loss after taxation of USD4.33 million in the quarter ended March 31, 2013 compared to a net loss of USD6.85 million in the same period of 2012. The principal differences between the two periods were as follows:

	Three months ended March 31		
	2013	**2012**	**Movement**
Sales and other revenues	12,553	6,487	94%
Total revenue and other income	**12,553**	**6,487**	94%
Sales expenses	(645)	-	100%
Production expenses	(4,062)	(2,910)	40%
Depreciation, depletion and amortisation	(4,979)	(3,036)	64%
Business development expenses	(502)	(373)	35%
Administrative expenses	(4,670)	(4,797)	-3%
Share based payments	(331)	(603)	-45%
Foreign exchange gains/(loss) net	131	(64)	-305%
Fair value gains/(loss)	(430)	(896)	-52%
Profit/(Loss) from jointly controlled entity	257	(62)	-515%
Net finance costs	(682)	(454)	50%
Loss before taxation	**(3,360)**	**(6,708)**	**-50%**
Taxation	(967)	(140)	591%
Loss for the period	**(4,327)**	**(6,848)**	**-37%**
Loss per share	(0.01)	(0.02)	-50%

Note

From January 1, 2012, the Company re-classified the administrative costs associated with two of its subsidiaries to business development expenses in the consolidated statement of comprehensive income. The comparative information has been reclassified to conform to the current presentation. Business development expenses are costs associated with identifying new business opportunities for the Company either within countries in which the Company is currently operating, or in new countries.

The following table presents the Profit and Loss statement in terms of cash and non-cash items and from this it can be seen that in the three months ending March 31, 2013 the Company generated a Profit before non-cash items of USD2.805 million (2012: a loss of USD1.657 million). Profit before non-cash items (a Non GAAP measure) is defined as: Revenue less Production costs, Administrative Costs, Listing Expenses, Business Development Expenses and Foreign Exchange ï see table below.

	Three months ended March 31		
	2013	**2012**	**Movement**
Sales and other revenues	12,553	6,487	94%
Total revenue and other income	**12,553**	**6,487**	94%
Sales expenses	(645)	-	100%
Production expenses	(4,062)	(2,910)	40%
Foreign exchange gains/(loss) net	131	(64)	-305%
Business development expenses	(502)	(373)	35%
Administrative expenses	(4,670)	(4,797)	-3%
Profit before non-cash items	**2,805**	**(1,657)**	**-269%**
Share based payments	(331)	(603)	-45%
Depreciation, depletion and amortisation	(4,979)	(3,036)	64%
Fair value gains/(loss)	(430)	(896)	-52%
Profit/(Loss) from jointly controlled entity	257	(62)	-515%
Net finance costs	(682)	(454)	50%
Loss before taxation	**(3,360)**	**(6,708)**	**-50%**
Taxation	(967)	(140)	591%
Loss for the period	**(4,327)**	**(6,848)**	**-37%**
Loss per share	(0.01)	(0.02)	-50%

Revenue

Note 2 Oil sales in Kazakhstan are reported net of water content plus compensation for natural wastage, transportation costs of water from the well head to the terminal at Emba,

Kazakh gas sales

	Three months ended March 31		
	2013	2012	Movement
Gas sales	2,323	1,652	41%

- The gas sales are generated from both the Kyzyloi and the Akkulka contracts in Kazakhstan and, as referred to in *Kyzyloi Gas Production* above, are sold to Asia Gas NG LLP at agreed prices of USD90 per Mcm excluding VAT.
- Both of the gas sales contracts operating in 2012 expired at December 31, 2012.
- As stated in the Kazakh gas production sections above, TAG signed a contract with Intergas Central Asia JSC, a wholly owned subsidiary of the Kazakh State company KazTransGas JSC. This contract included both Kyzyloi and Akkulka gas, and is for annual volumes up to 150 million cubic metres at an increased price of USD 90.0 per Mcm (USD 2.56 per Mcf) of gas (USD 100.8 per Mcm or USD 2.9 per Mcf including VAT). Sales costs are USD 25.0 per Mcm. The contract runs through to December 31, 2013. The net price to the Company after Sales costs is effectively double the price obtained for previous gas sales in Kazakhstan.
- Gas sales for the three months to March 31, 2013 were USD2,323,000 compared to USD1,652,000 for the same period in the prior year, the result of limited natural field decline and limited capital being spent to increase production. There was no gas production in January 2013 but the price in February and March 2013 was USD90.

Kazakh oil sales

A breakdown of Kazakh oil sales in the first quarter of 2013 and 2012 are as follows:

2013

Period	Gross		Price at	Compensation	VAT	Net
	bbls	Revenue	wellhead			Sales
		$000	$/bbl	$000	$000	$000
Q1	272,695	8,737	32.0	165	918	7,654

2012

Period	Gross		Price at	Compensation	VAT	Net
	bbls	Revenue	wellhead			Sales
		$000	$/bbl	$000	$000	$000
Q1	89,024	2,671	30.0	79	278	2,313

In Kazakhstan the Companyȏs current oil production is under a Pilot Production Scheme and therefore oil is sold only on the domestic market.

Net figures exclude the compensation for water content plus compensation for natural wastage, 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 transported approximately 420km to a disposal facility. Water is currently being produced and disposed from the AKD01, AKD05 and AKD06 wells that together make up the current total production. The compensation water is a small amount of water in the crude that remains after the field separation.

The VAT can be recovered by the Companyǿs Kazakh subsidiary.

It should be noted that this is the realized price at the wellhead and the Company therefore incurs no transportation and marketing costs beyond this. The Company notes that some other entities report their oil price somewhat differently, with transportation and marketing costs being reported separately. Tethysô oil is trucked 230 kilometres and then railed many hundreds of kilometres and according to figures provided by local oil buyers if oil was sold at the refinery and reported the price it would be significantly higher. *See Kazakhstan Oil Production (Akkulka contract) on page 4.*

The oil sales in the three months to March 31, 2013 saw a significant increase on the equivalent period in 2012 for the following reasons:

- While there were three wells producing in 2013 there was only the one producing regularly in 2012. See *Kazakhstan Oil Production (Akkulka contract)* above.
- Increased deliveries and reduced turnaround time for trucks following the opening of AOT.
- Increased sales price as production increased and the opening of AOT. Because of the problems identified *Kazakhstan Oil Production (Akkulka contract)* above the Company offered a discount to its customer on its March production in order to get sales moving again.

Tajik oil sales

	Three months ended March 31		
	2013	2012	Movement
Tajik oil sales	409	126	225%

Oil sales in Tajikistan are produced solely from the Beshtentak BST20 well. The figure for 2013 was higher than in the same period of 2012 as the well closed for part of Q1 2012.

Refined products sales (Uzbekistan)

	Three months ended March 31		
	2013	2012	Movement
Refined product sales	2,079	2,308	-10%

- Refined product sales for the three months to March 31, 2013 were USD2,079,000 compared to USD2,308,000 in the same period of 2012. This reduction was considerably less than the drop in production in 2013 compared to 2012 because the sales in 2013 included products paid for in 2012 but not delivered until 2013.

  Deferred revenue from refined product sales, i.e. goods sold and paid for but awaiting delivery, at March 31, 2013 was USD99,000 (December 31, 2012: USD1,713,000).
- Under the North Urtabulak PEC, TPU receives 50% of all incremental production from each well from the North Urtabulak Field for the first three years of production, with the remaining 50% to be shared between the Uzbek State Partners. For the subsequent five years, the company receives 20%, and the Uzbek State Partners 80% of the same. As at March 31, 2013 the majority of these wells were past the initial three years of production.

Operating expenses

	Three months ended March 31		
	2013	2012	Movement
Kazakhstan	2,950	2,046	44%
Uzbekistan	701	686	2%
Tajikistan	396	170	133%
Other	15	8	0%
	4,062	2,910	40%

Kazakhstan

Production costs in Kazakhstan were higher in the three months to March 31, 2013 compared to the same period in 2012 primarily as a result of the higher levels of oil production and the associated waste removal costs. See *Kazakhstan Oil Production (Akkulka contract)* above for details.

The split between the gas and oil production costs in the three months to March 31, 2013 in Kazakhstan was as follows:

	Three months to March 31, 2013	Three months to March 31, 2012
Kazakhstan gas production	USD 1,037,000	USD 707,000
Production cost per MMcf	USD 1.10	USD 0.75
Kazakhstan oil production	USD 1,913,000	USD 1,339,000
Production cost per barrel	USD 6.64	USD 14.17
Production cost per boe	USD 6.63	USD 5.15

Gas production levels were less than anticipated as there was no production in January until the new sales contract was signed towards the end of the month.

Oil production was less than anticipated because of the rail truck problems and adverse weather conditions that were experienced in March.

As a large part of production costs are fixed then the reduced production levels will push up the cost per MMcf or cost per barrel.

Tajikistan

Production costs in Tajikistan in the three months to March 31, 2013 were higher than in the same period of 2012 due to production being put on hold for a large part of the first quarter of 2012.

Uzbekistan

Production costs in Uzbekistan in the three months to March 31, 2013 were not significantly different when compared to 2012 as a large proportion of the costs are fixed.

Depreciation, depletion and amortization expense

	Three months ended March 31		
	2013	2012	Change
DD & A costs	4,979	3,036	64%

The primary constituent of the DD&A charge relates to the operations in Kazakhstan where the DD&A charge is directly related to the use of reserves. The figure for Kazakhstan was higher in the three months to March 31, 2013, compared to the same period in the prior year because the oil production was significantly higher, and as a result the reserves utilised were also significantly higher.

Sales expenses

	Three months ended March 31		
	2013	2012	Change
Sales expenses	645	0	-

Sales expenses represent agent commissions paid in relation to securing its Kazakhstan gas sales contracts and are costed at USD25.0 per Mcm. These contracts came into effect at the end of January 2013.

Business development expenses

	Three months ended March 31		
	2013	2012	Change
Business Development Expenses	502	373	35%

From January 1, 2012, the Company re-classified the administrative costs associated with two of its subsidiaries to business development expenses in the consolidated statement of comprehensive income. The comparative information has been reclassified to conform to the current presentation. Business development expenses are costs associated with identifying new business opportunities for the Company either within countries in which the Company is currently operating, or in new countries.

Administrative expenses

	Three months ended March 31		
	2013	2012	Change
Staff costs	2,166	2,366	-8%
Travel costs	708	737	-4%
Office costs	521	629	-17%
Professional fees	552	576	-4%
Marketing costs	363	137	165%
Other costs	360	352	2%
	4,670	4,797	-3%

As stated in previous MD&Aǿs the Company has initiated a review of all costs with a particular focus on Administrative expenses. The objective of this review is twofold:

1. A push to reduce costs in all areas but particularly Administrative costs;
2. A review of categorization of costs to ensure that the Company is behaving consistently with other similar oil and gas companies, which will facilitate appropriate comparison within its peer group.

For the three months ended March 31, 2013 total Administrative expenses were lower than in the same period of the previous year:

- Office costs were lower than in 2012.
- While marketing costs were up for the period it is anticipated that this will ease down over the remaining months of 2013.

Share based payments

	Three months ended March 31		
	2013	2012	Change
Share based payments	331	603	-45%

In the three months to March 31, 2013, 210,000 options were granted, 15,000 were exercised and 114,000 were forfeited or expired.

31,850 warrants were granted in connection with commissions payable to brokers with respect to 2013 loans. See *Liquidity and Capital Resources* below.

Refer to Note 4 Share-based Payments in the unaudited condensed consolidated interim financial statements.

Foreign exchange

	Three months ended March 31		
	2013	2012	Change
Foreign exchange (gain) / loss	(131)	64	305%

A small loss foreign exchange gain was incurred in the period.

Fair value

	Three months ended March 31		
	2013	2012	Change
Fair value loss	430	896	-52%

The movement in the fair value in the three months to March 31, 2013 related to the movement on the warrants cost resulting from the increase in the Companyǿs share price.

Joint venture

	Three months ended March 31		
	2013	2012	Change
(Gain)/loss from joint venture	(257)	62	515%

Profit from the jointly controlled joint venture in 2013 represented the Companyǿs 50% share in the profit generated by the AOT in 2013, while 2012 figure of USD62,000 represented the Companyǿs share in the loss incurred by AOT.

Finance costs

	Three months ended March 31		
	2013	2012	Change
Finance (income) / costs -net	682	454	50%

Finance costs consist primarily of interest costs net of any interest income.

Taxation

	Three months ended March 31		
	2013	2012	Change
Current income tax expense	235	144	68%
Deferred tax (recovery) / expense	732	(4)	18400%
Total	967	140	591%

The current tax charge comprises a tax charge in Uzbekistan where the prior yearsô losses have been fully utilized.

The deferred tax is an accrual of anticipated future tax expense in Kazakhstan. *Refer to Note 5 in the unaudited condensed consolidated interim financial statements.*

Capital Expenditure

As a result of the delay to the commencement of the higher oil production levels in Kazakhstan and the related impact on funds, the Company postponed much of its planned capital expenditure to later in 2013.

	Three months ended March 31		
	2013	2012	Change
Kazakhstan	604	230	162%
Uzbekistan	239	83	188%
Tajikistan	421	895	-53%
Other and Corporate	-	1	-
	1,264	1,209	5%

There were no major items of capital expenditure in the three months to March 31, 2013.

Summary of Quarterly Results

The figures in the table below have been prepared under IFRS requirements.

Financials	**Jun 30 2011**	**Sep 30 2011**	**Dec 31 2011**	**Mar 31 2012**	**Jun 30 2012**	**Sep 30 2012**	**Dec 31 2012**	**Mar 31 2013**
Revenue	4,177	6,849	7,416	6,487	10,204	9,990	11,426	12,553
Net loss	(2,696)	(8,575)	(9,424)	(6,848)	(4,870)	(5,117)	(4,069)	(4,327)
Basic and diluted loss (USD) per share	(0.01)	(0.03)	(0.04)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)
Capital expenditure	14,834	11,148	5,068	1,209	3,310	4,812	8,170	1,264
Total assets	261,144	255,066	263,391	253,945	253,153	252,083	251,953	246,896
Total long term liabilities	(8,434)	(8,295)	(4,676)	(5,656)	(5,752)	(9,437)	(7,475)	(9,883)
Cash balance	35,855	18,425	11,631	4,803	4,446	1,620	2,227	1,835

Significant factors influencing quarterly results

- Oil sales in Kazakhstan have steadily increased from Q2 2011.

- In Q2 2011 the revenue from the rental of drilling equipment to the Tajik JV was recognized and this continued to the end of 2011. For further clarification refer to *Note 7 of the* Companyôs 2011 Audited Consolidated Financial Statements.
- Uzbekistan production and sales have fallen away significantly from Q3 2011.
- There was an impairment adjustment in Uzbekistan in Q4 2011 of USD8.98 million.
- Kazakhstan oil sales were significantly affected by adverse weather conditions in Q1 2012.
- The opening of the AOT in April 2012 saw a significant increase in oil production in Kazakhstan combined with an increase in the price per barrel resulting in a significant increase in oil revenue.
- As a result of the delay to the commencement of the higher oil production levels in Kazakhstan and the related impact on funds, the Company postponed much of its planned 2012 capital expenditure.
- The Kazakh gas net sales price effectively doubled in February 2013 but there was no production in January 2013 while the new sales contract was being negotiated.

Financial position

The following table outlines significant movements in the consolidated balance sheets from December 31, 2012 to March 31, 2013:

	Mar 31, 2013	**Dec 31, 2012**	**Movement**	**Movement Details**
Property, plant and equipment	117,570	121,097	(3,527)	Little capital expenditure was incurred in the quarter while DD&A was incurred in line with production
Intangible Assets	107,587	107,374	213	Expenditure incurred in Tajikistan and Kul-Bas in the period.
Prepayments and other receivables	5,518	6,444	(926)	Reduction in prepayments to contractors in line with reduced capital expenditure.
Inventories	1,233	2,046	(813)	This reduction is the result of some of the stock of refined products being released from the refinery in Uzbekistan.
Loan receivable from jointly controlled entity	2,710	2,403	307	A combination of the share of profit generated in the quarter plus interest charges.
Cash and cash equivalents	1,358	1,750	(392)	Refer to consolidated statement of cash flows in the interim financial statements
Other reserves	42,066	41,705	361	Stock based compensation expense incurred in the period.
Non controlling interest	8,339	8,437	(98)	15% non-controlling interest in SSEC
Accumulated deficit	(169,614)	(165,385)	(4,229)	Loss incurred for the three months to March 31, 2013, attributable to the shareholders

Non-current financial liabilities - borrowings	5,359	3,688	1,671	Movement of Kazakh loans from current - refer to Cashflow Statement
Deferred taxation	3,643	2,912	731	
Current financial liabilities - borrowings	10,526	13,625	(3,099)	Refer to Cashflow Statement
Derivative financial instruments - warrants	1,405	523	882	Issue of warrants in connection with rollover of loans in conjunction with movement in fair value
Deferred revenue	99	1,713	(1,614)	Movement with respect to Uzbekistan
Current taxation	469	233	236	Taxation charge on profits generated by TPU in Uzbekistan

Contractual obligations and liabilities as at March 31, 2013

		Payments Due by Period $'000s		
	Total	**Less than 1 Year**	**1 - 3 Years**	**Greater than 3 Years**
Financial borrowings	15,885	10,526	5,359	-
Operating leases	1,271	646	378	247
Trade and other payables	8,573	8,275	184	114
Commitments	31,047	25,893	5,154	-
Total contractual obligations	**56,776**	**45,340**	**11,075**	**361**

The primary constituents of the commitments are the work plans in Kazakhstan which encompass capital expenditure, production expenditure and administrative costs**.**

Liquidity and Capital Resources

See Note 11 *Financial liabilities – borrowings* in the Companyȏs unaudited Condensed Consolidated Interim Financial Statements.

Rig loans

In December 2011, the Company closed on the first tranche of a maximum USD10 million loan facility amounting to USD3,965,240, which is secured by the ZJ70 and ZJ30 rigs and other equipment. This facility gives lenders the choice of two methods of repayment designated Option A and Option B. The remaining two tranches of the USD10 million facility were closed in February and March 2012.

Under Option A, which has a term of one year, lenders have the option to receive monthly repayments on an interest only basis followed by a single balloon repayment of the principal amount to be paid at the maturity date. Option B, which has a term of two years, gives lenders the right to receive equal monthly installments, incorporating interest and capital, together with a single balloon repayment of half of the principal amount to be paid at the maturity date.

These borrowings are held at amortized cost. The interest payable on the borrowed funds is 12% per annum under both options.

In addition, lenders were granted warrants to acquire ordinary shares of the borrower equal to half of each USD100,000 principal amount of the loan advanced to the Company. As at March 31, 2013, a total of 7,586,051 warrants had been granted to lenders. Such warrants will be exercisable at a 25% premium to the price of the volume weighted average CAD price of the shares on the TSX for the 5-day period prior to the day the borrower receives the funds in its bank account.

The Company has recorded a total discount to the USD10 million loan in the amount of USD1,031,779 based on the relative fair value of the warrants. The loan was then amortised using the effective interest rate method. Lenders have security over the shares of Imperial Oilfield Services Limited which has no other assets except the drilling rigs and associated equipment.

During December 2012, following the agreement of all loan holders, Tranche 1 Option A loan holders with loans maturing in December 2012 rolled over their loans for a further period of one year. In February and March 2013, Tranche 2 and Tranche 3 Option A loan holders with loans maturing in February and March 2013 also rolled over their loans for a further period of one year. The original loans were de-recognised and the new loans were recognised at fair value. Associated warrants were re-issued at exercise prices of CAD0.64, CAD0.71 and CAD0.92. Furthermore, extensions of warrant expiry dates were granted to all loan holders, except two officers of the company who were re-issued with warrants upon expiry of the original warrants.

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

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

In January 2013, the Kazakh loan arrangement was terminated and replaced by way of an arrangement whereby funds are advanced to the Company and repaid as a deduction against oil revenue. Terms of the arrangement are principally the same (i.e. the principal repayment to be completed by April 2016 with monthly repayments of both principal and interest) and therefore under IFRS, the amounts advanced continue to be treated as a loan. As at March 31, 2013, 1.335 billion KZT (USD8.9 million) of funds had been advanced to the Company in relation to the loan agreement, with a remaining repayment period over 3 years and monthly repayments of both principal and interest (at a weighted average effective interest rate of 14.92%).

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

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

For details of avenues that the Company is currently pursuing to improve liquidity refer to the ñ*Funding"* section below.

Cash Flows

The movement in the cash balance during the three months to March 31, 2013 compared to the same period of 2012 can be broken down as follows:

	March 31 2013	March 31 2012	% Change
Net cash generated / (used) in operating activities	2,562	(3,693)	-169%
Net cash used in investing activities	(1,251)	(1,718)	-27%
Net cash used in financing activities	(1,709)	(1,067)	60%
Foreign exchange difference	6	(88)	-107%
Decrease in cash and cash equivalents	(392)	(6,566)	94%

Operating activities

In the three months to March 31, 2013 the Company generated cash of USD2.56 million from its operating activities, which was significant improvement when compared to the USD3.69 million that was used in operating activities in the same period of 2012. The improved performance in 2013 was primarily the result of higher oil revenues in Kazakhstan combined with little increase in associated expenditure

Investing activities

A slower than forecast increase in oil production in 2012 resulted in less cash being available than had been anticipated and as a result some of the capital expenditure planned for Q1 was postponed.

Financing activities

The funds raised in tranches 2 and 3 of the drilling equipment loan (See *Liquidity and Capital Resources* above) that were due for settlement in Q1 2013 were rolled over.

Capital management

The Companyôs capital structure is comprised of shareholdersô equity and debt.

The Companyôs 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 Companyôs 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 (including ócurrent and non-current borrowingsô as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as óequityô as shown in the consolidated statement of financial position plus net debt.

	March 31 2013	**March 31 2012**	**% Change**
Total financial liabilities - borrowings	15,885	8,844	80%
Less: cash and cash equivalents	(1,835)	(4,803)	-62%
Net debt / (funds)	14,050	4,041	248%
Total equity	216,239	231,676	-7%
Total capital	230,289	235,717	-2%

The net debt at March 31, 2013 was USD14,050,000 compared to USD4,041,000 at March 31, 2012. The Company has assessed the position and is confident that future cash flows will be sufficient to service this debt and to support ongoing operations. See *Funding* below.

Funding

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

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

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

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

With regard to longer term requirements, the Company regularly considers farm-out/farm-in and joint venture opportunities as a means of developing its business and sharing financial and/or commercial risks

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

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

Off-Balance Sheet arrangements

The Company has no off-balance sheet arrangements.

Stockholder Equity

As at March 31, 2013 the Company had authorized share capital of 700,000,000 Ordinary Shares of which 286,786,744 (2012: 286,707,744) 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 the date of this report, May 15, 2013, a total of 33,699,000 (2012: 34,388,129) ordinary shares were reserved under the Companyôs Long Term Stock Incentive Plan and Warrants granted by the Company. The number of options outstanding as at the date of this report, May 15, 2013, is 33,699,000 (2012:33,885,000) and the number of warrants outstanding is 5,312,668 (2012:6,903,226).

OUTLOOK

The information provided under this heading is considered as forward looking information, as such please refer to *Forward Looking Statements* on page 25 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 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 in order to mitigate the political, fiscal and taxation risk that would be inherent with operations solely conducted in one jurisdiction.

While 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, the specific focus of management in the short term is to:

- 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;
- focus on completing the farm in with Total and CNODC;
- pursue and develop the Chegara PEC in Uzbekistan;
- acquire contracts on new exploration acreage in Tajikistan, Uzbekistan and other related areas.

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 as stated above the Company is currently to looking to complete a farm out in Tajikistan with subsidiaries of Total S.A. and the China National Oil and Gas Exploration and Development Corporation.

Kazakhstan Operations Update

Oil operations

On January 30, 2012, the Company announced the official inauguration of its AOT terminal ï a new storage and rail loading facility for its oil shipments from the Doris oilfield. The AOT is owned and operated through a 50:50 joint venture by Tethys and its Kazakh oil trading partnerôs company, Olisol Investment Limited. The facilities were fully completed in Q1 2012 and following a visit by a Kazakh governmental State Commission, the Company completed the first shipment of commercial oil production through the AOT at Shalkar on April 13, 2012. The initial plan for the AOT was to enable the Company to increase production to approximately 4,000 bopd, which was achieved in the latter days of June 2012.

Phase 2 is completed (subject to final state approval) which will allow for an increase in throughput capacity from 4,200 bopd up to 6,300 bopd with the installation of two x 1000 m3 tanks (approximately 12,500 bbls) and associated pumping equipment. It is anticipated that the final state approval of the storage tanks will be received in Q2 2013. While Phase 2 will also incorporate an electrical dehydrator for the commercial treatment of crude oil, which is expected to result in a higher oil price, final approval of this process is not anticipated until early in Q3 2013.

Phase 3 will see the capacity of the terminal expanded to more than 12,000 bopd (over a further two phases) to accommodate future potential production growth dependent upon further drilling results, or third party production.

Production from the Akkulka area is anticipated at approximately 4,000 bopd from the existing drilled wells going forward; further production increases will be sought but are dependent on the results of the appraisal / exploration drilling planned for 2013. Further evaluation of the 3D seismic dataset acquired using state of the art processing and interpretation techniques is revealing the potential for the presence of sand fans in the Cretaceous sandstone sequence and these data are being integrated with the results of the well data to plan future appraisal/exploration well locations in the greater Doris area.

Gas operations

TAG has made eleven shallow gas discoveries in the Akkulka Exploration Licence and Contract area. The Akkulka Production Contract now covers seven of these wells, and four are currently producing from a similar horizon to the Kyzyloi Field and are tied into the Companyôs existing pipeline infrastructure, with additional compression having been installed at the Bozoi Compressor Station. The development of the other gas discoveries already made in the Akkulka Block is planned as Phase 3. Further to the signing of the new gas sales contracts it is planned to workover some of the Akkulka wells with a view to increasing gas production. The first wells which have been identified to be worked on are AKK05 and AKK14.

Exploration – Kul Bas

Plans are in place to test well KBD01 on the Kul Bas contract in 2013 and a contract has been placed for the shooting of additional 2D seismic.

Tajikistan Operations Update

In 2011, Tethys carried out an aeromagnetic graviometry survey over more than half of the PSC Area. The initial analysis of the data from the aerial graviometry survey completed at the end of 2011 has revealed several attractive prospective areas with the potential presence of very large deep sub-salt and sub-thrust prospects within the Bokhtar PSC Area including potential Jurassic reefs located on the edge of likely Permian basement high features. Jurassic reefs form some of the most prolific fields in the Amu Darya basin and no wells have ever been drilled through the overlying salt layer in Tajikistan to date.

The 2012 seismic programme saw the acquisition of approximately 501km of new 2D seismic in the Vaksh valley. When processed and interpreted in 2013, it is expected to identify some possible locations for a deep pre-salt well to be drilled. However, when the proposed farm-out is completed it is planned to invest in the acquisition of a complete regional grid of 2D seismic data and then further detailed seismic coverage before finally locating the deep drilling programme. This will provide a lower risk, more informed investigation of the substantial prospectivity seen to date.

The Company announced an updated resource report on July 19, 2012 prepared by Gustavson Associates for its Tajikistan assets estimating gross unrisked mean recoverable resources of 27.5 billion barrels of oil equivalent (114TCF gas and 8.5 billion barrels of oil) within the Tethys PSC acreage.

At present, BST20 is producing approximately 50 bopd gross to the PSC. During 2012, workovers were conducted on two wells, namely BST65 and 21, however these were not initially successful and the wells are suspended pending evaluation of results and the conclusion of the farm-out agreement.

The Company has previously stated that it is seeking a suitable farm-in partner for its exploration programme in Tajikistan and the seismic data are an important part of the information relating to such a potential farm-in. On December 21, 2012, the Company announced that it its subsidiary KPL had signed the Farm-Out Agreement for the Bokhtar PSC with subsidiaries of Total S.A. (ñTotalò) and the China National Oil and Gas Exploration and Development Corporation (ñCNODCò), a 100%-owned subsidiary of Chinese National Petroleum Company. This Farm-Out is for two thirds of KPLôs interest in the Bokhtar PSC for repayment of a portion of past costs and a forward carry in an agreed work programme. The Farm-Out is subject to the agreement of the Tajik government and certain other completion conditions. It is anticipated that this Farm-Out will close in Q2 2013 and these funds will be received in the period.

Uzbekistan Operations Update

As previously reported the Company intends to focus future efforts in Uzbekistan on developing new contracts such as the Chegara PEC and on potential exploration activities. The North Urtabulak project is a late stage redevelopment and incremental production project on an old field and the Company has used this project as a base to develop additional projects and build a significant business presence in Uzbekistan. Currently these new projects include the Chegara PEC (Chegara is a much less developed, producing field located to the south of North Urtabulak) and a potential exploration block in the North Ustyurt basin (which is south of the Doris discovery in the same basin in Kazakhstan and which the Company believes has considerable exploration potential).

North Urtabulak PEC

A number of workovers are planned for the second half of 2013 and early 2014 with a view to boosting production from the existing contract.

Chegara Group of Fields

On May 16, 2012, the Company signed a PEC for the Chegara Group of fields, located within the Amu Darya basin, some 14 kilometres south-west of the North Urtabulak field. The PEC has a term of twenty-five years and under this new PEC, Chegara Production Limited is allocated refined products for the crude oil it produces and sells these refined products on the export market. Unlike the North Urtabulak PEC, under the terms of the Chegara PEC, Tethys has been granted exclusive rights to conduct operations on the Chegara Group of fields.

As of the date of this report, the Company is waiting for final governmental approvals to commence operations on the Chegara PEC. These approvals are in their final stages and are expected to be finalised in Q2 2013 with the issuance of a Presidential Decree. The Chegara PEC has a similar contractual arrangements to the North Urtabulak PEC that TPU currently has over the North Urtabulak Field, and which has operated successfully for approximately 14 years. Under this contract TPU is allocated refined oil products and sells these on the export market in U.S. Dollars. The Company believes these new fields offer significant upside and good potential to increase oil production in the near to mid-term.

Uzbekistan Exploration MOU

In February 2012, the Company announced it had signed an additional MOU with UNG. The objective of this MOU was to continue to provide the framework for a Joint Study and the negotiation process for an Exploration Agreement relating to certain exploration blocks in the North Ustyurt Basin of Uzbekistan. On February 1, 2012, the Company signed a further MOU with UNG with the objective of providing the framework for a Joint Study and the negotiation process for an Exploration Agreement relating to certain blocks in the North Ustyurt Basin ï a basin the Company believes has very similar geological characteristics as the Kazakh portion of the basin and the extensive modeling of the Doris oil discovery and surrounding area can be useful if applied to the Uzbek portion of the basin.

On May 16, 2012, the Company signed an additional MOU to agree to a timetable for the potential signing of this Exploration Agreement.

As of March 31, 2013, the Company was proceeding with these negotiations for the Bayterek exploration block in the North Ustyurt and expects to make significant progress toward acquiring this highly prospective acreage in the coming year.

Transactions with Related Parties

Vazon Energy Limited

Vazon Energy Limited (ñVazonò) is a corporation organized under the laws of the Bailiwick of Guernsey, of which Dr. David Robson, Executive Chairman and President, is the sole owner and managing director.

Tethys has a management services contract with Vazon that came into effect from June 27, 2007 whereby the services of Dr. Robson and other Vazon employees are provided to the Company. The total cost charged to Tethys for services from Vazon in the period ended March 31, 2013 was USD458,352 (March 31, 2012 ï USD799,581). As at the date of these consolidated financial statements, the services of Dr. Robson and only two other Vazon employees are provided to the Company. The remainder of the employees previously employed by Vazon were transferred to Tethys Services Guernsey Limited during the last quarter of 2012.

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

The guarantee comprises a charge over the assets of one of the Companyôs subsidiaries, Tethys Tajikistan Limited (ñTTLò), equalling amounts owing under the management services contract from time to time. At March 31, 2013, the amount owed to Vazon by the Company was USD116,653.

Oilfield Production Consultants

Oilfield Production Consultants (OPC) Limited and Oilfield Production Consultants (OPC) USA LLC have one common director with the Company. Total fees for the three months ended March 31, 2013 were USDnil (2012 ï USDnil). OPC participated in the 2011 loan financing described in note 11, advancing USD200,000 under Option B of the facility. As a result, OPC received 100,000 warrants valued at a fair value of USD15,030. The loan was advanced under the same conditions and terms afforded to non-related parties. As a result of agreeing to the rollover, discussed in note 11, the term of the warrants was extended which did not result in any change in fair value.

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 USD6,143 and USD21,983 respectively. Loans advanced were USD150,000 and GBP300,000 respectively and were rolled over upon maturity of their one year term for a further term of one year under the same conditions and terms afforded to non-related parties, except that the warrants originally issued were not extended. Upon rollover, there was a re-issue of 75,000 and 232,620 warrants were issued at a fair value of USD2,940 and USD25,891 respectively.

On July 6, 2012, Ambassador Khalilzad was appointed a director of the Company. His company, Khalilzad Associates provides consultancy services with respect to business development. Total fees for these services amounted to USD15,000 for the three months ended March 2013.

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

During 2012, an interest bearing loan of GBP32,278 was advanced to a Board Director at an interest rate of 5%. The loan was repaid in January 2013.

Two further non-interest bearing loans of USD50,960 and USD76,251 have been advanced to two officers during 2012 for relocation costs. Balances outstanding at March 31, 2013 were USD21,368 and USD31,772 respectively (2012 ï nil and USD17,754).

RISKS AND UNCERTAINTIES AND OTHER INFORMATION

Readers are encouraged to read and consider the risk factors and additional information regarding the Company, included in its 2012 Annual Information Form filed with the Canadian securities regulators, a copy of which is posted on the SEDAR website at www.sedar.com

Risk management is carried out by senior management, in particular, the Executive Board of Directors.

The Company has identified its principal risks for 2013 to include:

- Exploration and development expenditures and success rates, though considerable technical work is undertaken to reduce related areas of risk and maximise opportunities.
- Oil and gas sales volumes and prices;
- Retention and extension of existing licences; and

- Liquidity.

Financial Risk Management
The Companyôs activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange. The Companyôs overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Companyôs 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 Companyôs cash and cash equivalents and accounts receivable balances.

With respect to the Companyôs 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:

	Mar 31, 2013	**Mar 31, 2012**
Trade receivables	2,431	1,395
Cash and cash equivalents	1,835	4,803
Investments	1,116	1,116
Loan receivable from jointly controlled entities	2,710	2,000
	8,092	9,314

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 Companyôs sales in Kazakhstan commenced in December 2007 and the Company has not experienced any credit loss to date. At December 31, 2012 the trade receivable amounted to USD2,430,778 (2012 ï USD1,395,205), none of which was greater than 30 days overdue. The Company has therefore not recorded a provision against this amount as it does not consider the balance to be impaired.

In Uzbekistan, the Company makes use of three customers where full payment is in US Dollars and is required before delivery of the oil and therefore there is limited exposure to credit risk in this country. In Tajikistan, oil is currently being purchased by two buyers where prepayment in full is also required before delivery.

Although a significant amount of the deposits at financial institutions are not covered by bank guarantees, the Company does not believe there to be a significant risk of credit loss as the majority of the counterparties are banks with high credit ratings (BBB or equivalent) assigned by international ratings agencies (Fitch and Standard and Poors). Within the Central Asian countries, banks with the international ratings are generally not available.

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 Companyôs 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, 2013.

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. Revenue and expenditure levels, both actual and projected, are reviewed on a regular basis and forecasts updated accordingly. These forecasts enable the Company to identify when additional financing might be needed or expenditure plans adjusted.

The timing of cash outflows relating to financial liabilities and commitments at the reporting date are summarized on page 14 above in *Contractual obligations and liabilities as at March 31, 2013.*

Particularly in the current climate, 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. The 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 has limited exposure to volatility in market interest rates.

Because of the current level of deposit interest rates on USD being less than 1%, the Company's exposure to interest rate risk on short term deposits is minimal.

Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in a number of 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 USD. A significant portion of expenditures in Kazakhstan are denominated in local currency, the Tenge. There is limited availability in exchange rate derivatives to manage exchange rate risks with this currency.

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

Foreign currency risk

Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Kazakhstan or Tajikistan to foreign entities. While there are in fact restrictions on repatriation of capital and distribution of earnings from Uzbekistan to foreign entities, the Company has not been affected by this as it is paid for its refined product sales in US Dollars outside of Uzbekistan. 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, Somoni or Soum will continue to be exchangeable into U.S. Dollars or that the Company will be able to exchange sufficient amounts of Tenge, Somoni or Soum into U.S. 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 and Europe. 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 Companyôs production could have a material adverse effect on the Companyôs 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 has fixed price gas contracts up to the end of 2013 but its oil contracts in Kazakhstan and Tajikistan and its refined products in Uzbekistan are 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 at lower prices. All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities. Beyond 2013 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, there needs to be consideration of 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 production from both the Kyzyloi and Akkulka contracts in Kazakhstan are sold at fixed prices, at least until the end of 2013, and so the fluctuation in world commodity prices should have no effect on the Company's revenue from the Kazakh gas operations in 2013. In Uzbekistan, the Company sells refined petroleum products on a monthly basis and is consequently also subject to movements in the oil price.

Sensitivities

While the price of gas sales from gas produced from the Kyzyloi and Akkulka gas fields under the Gas Supply Contract is fixed in Kazakh Tenge until December 31, 2013 there is an agreed fixed exchange rate and consequently there is no sensitivity to currency movements or market movements in the gas price.

The price of oil sales from the Doris discovery currently running at approximately 4,000 bopd, is sensitive to movements in the market price. On a production level of 3,800 bopd, a movement of USD1 per barrel on the price received by the Company would result in a plus or minus movement in the sales revenue of USD1,387,000 per annum.

The sales revenue in Uzbekistan is sensitive to fluctuations in the price of oil. At net production levels of 110 bopd, a movement of USD1 per barrel on the price received by the company would result in a maximum plus or minus movement in the sales revenue of USD40,150 per annum.

Environmental

The Company's operations are subject to environmental, safety and health and sanitary regulations in the jurisdictions in which it operates. Whilst the Company believes that it carries out its activities and operations in material compliance with these environmental, safety and health and sanitary regulations, there can be no guarantee that this is the case. In Kazakhstan, quarterly reports are required to be submitted by the Company to the Shalkar (Bozoi) Tax Committee. The Company is also required to prepare reports on any pollution of air, toxic waste and current expenses on environmental protection which have been made by the Company and which are submitted to the appropriate Kazakh authorities. Reports are submitted on a semi-annual basis for information purposes and no payments are applicable. In Tajikistan, the Company is subject to environmental regulation and its activities are subject to inspection by the appropriate authority in that country.

At present, the Company believes that it meets satisfactory environmental standards in all material respects in all of the areas in which it operates, and has included appropriate amounts in its capital expenditure budget to continue to meet its current environmental obligations. However, the discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur significant costs to remedy such discharge. No assurance can be given that changes in environmental laws or their application to the Company's operations will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

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 (ñIFRSsò) and IFRIC Interpretations issued by the IFRS Interpretations Committee.

Please refer to the annual consolidated financial statements for the year ended December 31, 2012 Note 2 *Summary of Significant Accounting Policies* for details of the Companyôs accounting policies.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer (ñCEOò) and the Chief Financial Officer (ñCFOò) of Tethys are responsible for establishing and maintaining internal control over financial reporting (ICFR) as that term is defined in National Instrument 52-109 ï 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, 2013, 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, 2013. The Companyôs 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.

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 Companyôs management as appropriate to allow timely decisions regarding disclosure.

FORWARD-LOOKING STATEMENTS

In the interest of providing Tethysô shareholders and potential investors with information regarding the Company and its subsidiaries, including managementôs assessment of Tethysô and its subsidiariesô future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively referred to herein as ñforward-looking statementsò) within the meaning of the ñsafe harbourò provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as ñanticipateò, ñbelieveò, ñexpectò, ñplanò, ñintendò, ñforecastò, ñtargetò, ñprojectò 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 2013 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 Companyôs 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 Companyôs and its subsidiariesô 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 Companyôs and its subsidiariesô 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 Companyôs ability to generate sufficient cash flow from operations to meet its current and future obligations; the Companyôs ability to access external sources of debt and equity capital; the timing and the costs of well and pipeline construction; the Companyôs and its subsidiariesô 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 Companyôs 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 Companyôs ability to obtain qualified staff and equipment in a timely and cost effective manner to meet the Companyôs demands. Statements relating to ñreservesò or ñresourcesò or ñresource potentialò 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.