Tethys Petroleum Limited

Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

Contents

Responsibility Statement of the Directors in Respect of the Annual Report and Accounts

The accompanying consolidated financial statements and all the information in the Annual Report and Accounts are the responsibility of The Board of Directors. The consolidated financial statements have been prepared by management, acting on behalf of the Board of Directors, in accordance with the accounting policies described in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards, appropriate in the circumstances, as issued by the International Accounting Standards Board. The consolidated financial information contained elsewhere in the Annual Report and Accounts has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors have examined the consolidated financial statements and have expressed an opinion on the consolidated statements. Their report is included with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors of the Company has established an Audit Committee, consisting of independent non-management directors, to review the consolidated financial statements with management and the auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standard ("IFRSs"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Management Discussion & Analysis and the Annual Information Form include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We draw attention to the section entitled "Going concern" in note 2 to the Consolidated Financial Statements which describes the material uncertainties relating to the Company's adoption of the going concern basis in preparing the Financial Statements for the year ended December 31, 2015 that may cast significant doubt about Tethys Petroleum Limited's ability to continue as a going concern.

For and on behalf of the Board

J. Bell	**A. Ogunsemi**
Chairman	Director
March 29, 2016	March 29, 2016

March 29, 2016

Independent Auditor's Report

To the Shareholders of Tethys Petroleum Limited

We have audited the accompanying consolidated financial statements of Tethys Petroleum Limited and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related noted, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tethys Petroleum Limited and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Tethys Petroleum Limited's ability to continue as a going concern.

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Tethys Petroleum Limited

Consolidated Statement of Financial Position

As at December 31
(in thousands of US dollars)

	Note	2015	2014
Non-current assets			
Intangible assets	13	64,202	47,630
Property, plant and equipment	14	113,397	13,804
Restricted cash	15	2,233	623
Investment in joint arrangements	18	4	4
Trade and other receivables	16	2,457	-
Deferred tax	11	226	258
		182,519	**62,319**
Current assets			
Cash and cash equivalents	20	3,272	3,112
Trade and other receivables	16	3,710	634
Inventories		879	-
Restricted cash	15	215	116
Assets of a disposal group classified as held for sale	19	-	172,514
		8,076	**176,376**
Total assets		**190,595**	**238,695**
Non-current liabilities			
Trade and other payables	22	133	-
Financial liabilities - borrowings	21	22,873	5,489
Deferred tax	11	10,792	-
Provisions		846	-
		34,644	**5,489**
Current liabilities			
Financial liabilities - borrowings	21	9,159	5,139
Derivative financial instruments	21	275	-
Current taxation		398	364
Trade and other payables	22	14,189	4,102
Provisions	9	360	1,759
Liabilities of a disposal group classified as held for sale	19	-	16,092
		24,381	**27,456**
Total liabilities		**59,025**	**32,945**
Equity			
Share capital	24	33,696	33,645
Share premium	24	321,803	321,724
Other reserves	24	43,166	42,845
Accumulated deficit		(273,189)	(198,560)
Non-controlling interest	25	6,094	6,096
Total equity		**131,570**	**205,750**
Total equity and liabilities		**190,595**	**238,695**
Going concern	2		
Commitments and contingencies	28		

The notes on pages 7 to 55 form part of these consolidated financial statements. The consolidated financial statements were approved by the Board on March 29, 2016 and were signed on its behalf.

J. Bell
Chairman

A. Ogunsemi
Director

Tethys Petroleum Limited

Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31

(in thousands of US dollars, except per share amounts)

	Note	2015	2014
Sales and other revenues	7	22,135	27,389
Sales expenses	2	(4,210)	(2,287)
Production expenses		(10,232)	(13,476)
Depreciation, depletion and amortisation		(28,731)	(1,270)
Exploration and evaluation expenditure written off	13	(25,918)	-
Business development expenses		-	(1,881)
Administrative expenses	8	(9,492)	(17,647)
Restructuring costs	9	(3,247)	(2,585)
Transaction costs of assets held for sale	19	(1,065)	(243)
Share based payments	10	(450)	(224)
Profit on sale of fixed assets		53	-
Foreign exchange loss		(1,715)	(200)
Fair value gain on derivative financial instrument		824	17
Loss from jointly controlled entity	17	(2,796)	(1,356)
Finance costs	21	(3,329)	(1,247)
		(90,308)	(42,399)
Loss before tax from continuing operations		**(68,173)**	**(15,010)**
Taxation	11	(6,430)	(463)
Loss for the year from continuing operations		**(74,603)**	**(15,473)**
Loss for the year from discontinued operations net of tax	5	**(28)**	**(912)**
Loss and total comprehensive income for the year		**(74,631)**	**(16,385)**
Loss and total comprehensive income attributable to:			
Shareholders		(74,629)	(16,027)
Non-controlling interest		(2)	(358)
Loss and total comprehensive income for the year		**(74,631)**	**(16,385)**
Loss per share attributable to shareholders:			
Basic and diluted - from continuing operations (USD)	12	(0.22)	(0.05)
Basic and diluted - from discontinued operations (USD)	12	-	-

No dividends were paid or are declared for the year (2014: $Nil).

The notes on pages 7 to 55 form part of these consolidated financial statements.

Tethys Petroleum Limited

Consolidated Statements of Changes in Equity

(in thousands of US dollars)

	Note	Share capital	Share premium	Accumulated deficit	Option reserves	Warrant reserves	Non-controlling interest	Total equity
				Attributable to shareholders				
At January 1, 2014		**28,756**	**307,295**	**(182,533)**	**26,020**	**16,601**	**6,454**	**202,593**
								-
Comprehensive loss for the year		-	-	(16,027)	-	-	(358)	(16,385)
Transactions with shareholders						-	-	-
Shares issued		4,889	15,808	-	-	-	-	20,697
Share issue costs		-	(1,379)	-	-	-	-	(1,379)
Share-based payments		-	-	-	224	-	-	224
Total transactions with shareholders		4,889	14,429	-	224	-	-	19,542
At December 31, 2014	**24**	**33,645**	**321,724**	**(198,560)**	**26,244**	**16,601**	**6,096**	**205,750**
Comprehensive loss for the year		-	-	(74,629)	-	-	(2)	(74,631)
Transactions with shareholders								
Shares issued		51	79	-	-	-	-	130
Share-based payments		-	-	-	321	-	-	321
Total transactions with shareholders		51	79	-	321	-	-	451
At December 31, 2015	**24**	**33,696**	**321,803**	**(273,189)**	**26,565**	**16,601**	**6,094**	**131,570**

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

The notes on pages 7 to 55 form part of these consolidated financial statements.

Tethys Petroleum Limited

Consolidated Statements of Cash Flows

For the year ended December 31
(in thousands of US dollars)

	Note	2015	2014
Cash flow from operating activities			
Loss before tax from continuing operations		(68,173)	(15,010)
Loss before tax from discontinued operations[1]	5	(28)	(912)
		(68,201)	**(15,922)**
Adjustments for:			
Share based payments	10	450	224
Net finance cost		3,329	1,247
Depreciation, depletion and amortisation		28,731	1,270
Unsuccessful exploration and evaluation expenditures		25,918	-
Profit on sale of fixed assets		(53)	-
Fair value gain on derivative financial instruments		(824)	(17)
Net unrealised foreign exchange gain		(114)	(192)
Loss from jointly controlled entity		2,796	1,356
Movement in provisions		(4,646)	1,239
Net change in working capital	27	752	(389)
Cash used in operating activities		**(11,862)**	**(11,184)**
Corporation tax paid		(136)	(320)
Net cash used in operating activities		**(11,998)**	**(11,504)**
Cash flow from investing activities			
Interest received		183	198
Expenditure on exploration and evaluation assets		(5,798)	(8,683)
Expenditure on property, plant and equipment		(2,495)	(17,386)
Proceeds from sale of fixed assets		121	-
Movement in restricted cash		214	137
Movement in advances to construction contractors		416	782
Movement in value added tax receivable		1,284	(90)
Net change in working capital	27	(1,275)	285
Net cash generated used in investing activities		**(7,350)**	**(24,757)**
Cash flow from financing activities			
Proceeds from issuance of borrowings, net of issue costs	21	28,107	11,604
Repayment of borrowings	21	(10,269)	(8,803)
Interest paid on borrowings		(1,448)	(1,721)
Proceeds from issuance of equity		-	14,947
Share issue costs		-	(1,379)
Movement in other non-current liabilities		(313)	(153)
Net cash generated from financing activities		**16,077**	**14,495**
Effects of exchange rate changes on cash and cash equivalents		2,675	(97)
Net decrease in cash and cash equivalents		**(596)**	**(21,863)**
Cash and cash equivalents at beginning of the year		3,868	25,731
Cash and cash equivalents at end of the year		**3,272**	**3,868**
Cash and cash equivalents at end of the year comprises:			
Cash in assets of a disposal group held for sale		-	756
Cash and cash equivalents		3,272	3,112
	20	**3,272**	**3,868**

Note 1 The Company has elected to present a statement of cash flows that analyses cash flows for both continuing and discontinued operations; amounts related to discontinued operations are disclosed in note 5.

The notes on pages 7 to 55 form part of these consolidated financial statements.

1 General information

Tethys Petroleum Limited is incorporated in the Cayman Islands and 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 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") and a standard listing on the London Stock Exchange ("LSE"). The Company is also listed on the Kazakhstan Stock Exchange ("KASE").

Statement of compliance

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB and IFRIC interpretations issued by the IFRS Interpretations Committee and effective or issued and early adopted as at the time of preparing these consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements are presented in United States Dollars ("USD" or "$"). Foreign operations are included in accordance with the policies set out in this note.

Going concern

The Management and 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 Consolidated Financial Statements for the year ended December 31, 2015. The Company currently does not have sufficient funding to fund its obligations for the next twelve months.

Although these Consolidated Financial Statements have been prepared on a going concern basis in accordance with IFRS, which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they come due, events and uncertainties which are discussed below raise substantial doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company reported a loss of USD74.6 million for the year ended December 31, 2015 (2014: USD16.4 million) and an accumulated deficit as at that date of USD273.2 million (2014: USD198.6 million) and negative working capital of USD16.3 million (December 31 2014: negative USD7.5 million) excluding items classified as held for sale. In addition, the Company reported negative cash flow from operating activities before tax of USD11.6 million for the year ended December 31, 2015 (December 31, 2014 USD 11.2 million)

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. ("SinoHan"), a Beijing based private equity fund, for USD75 million. Completion was dependent on the Company receiving Kazakh governmental permission and waiver of the State pre-emptive right. The Company also had an obligation to undertake a number of significant conditions precedent prior to completion of the sale which the Company was actively pursuing up until the longstop date. However, on May 1, 2015, the Company announced that the main approval required from the Ministry of Energy had not been received and SinoHan confirmed that it did not wish to enter into a further extension of the agreement. As the deal did not complete, the USD3.9m consideration advanced became repayable to SinoHan along with transaction costs of USD0.7m.

In order to support the Company's short term liquidity position, which has been adversely affected by the decrease in world oil prices, management has been implementing a cost reduction programme with respect to its operational, G&A costs and capital expenditures. During the year the Company has pursued multiple different opportunities to raise additional financing during the year including sourcing a number of loans under which it raised total net proceeds of USD 28.1 million in 2015 (refer to note 21).

On July 1, 2015 the Company announced a strategic collaboration with AGR Energy Holdings ("AGR") involving a proposed USD47.7 million private placement at a price of CAD0.192 per share and a convertible loan for up to USD5 million to support short term liquidity. Pursuant to this agreement, it also agreed with Pope Asset Management ("PAM"), the Company's largest shareholder, that PAM would subscribe for shares on substantially the same terms as AGR. However, following further correspondence and discussions with AGR, during which AGR indicated that it would require changes to the proposed structure and terms, the Company announced on August 10, 2015 that it would no longer be proceeding with the AGR placing or the PAM subscription.

On the same date, the Company announced that it had received a non-binding indicative proposal from Nostrum Oil & Gas PLC ("Nostrum") regarding a possible offer for the Company at a price of CAD0.2185 per Tethys share, which would be satisfied in cash or shares in Nostrum, or a combination of both cash and shares. In connection with the possible offer, Nostrum and Tethys entered into an unsecured USD5 million loan facility to support the short term liquidity of Tethys during the proposed offer period.

On August 28, 2015 the Company received a revised non-binding and highly conditional proposal from Nostrum setting out revised terms on which Nostrum was prepared to make an offer to acquire the Company and to provide further financing to Tethys. On September 23, 2015 the Company and Nostrum entered into a non-binding letter of intent and period of exclusivity until October 6, 2015 in connection with a proposed of C$0.147 per share and an interim financing facility of up to US$20 million to fund the Company's cash requirements until completion of any formal offer.

On October 5, 2015 the Company announced a non-binding proposal submitted to the Company by Olisol Investment Group ("Olisol") and on October 7, 2015 that it had received a non-binding letter of intent from

AGR in connection with a potential US$20 million equity fundraising at a price of C$0.165 per share and potential US$5 million loan to support short-term liquidity. In addition to the equity fundraising AGR would also be granted an option by the Company to subscribe for further newly issued shares for up to US$20 million of shares at the same subscription price.

On the same day the Company announced that Nostrum had withdrawn its proposed offer and that whilst the transaction had the unanimous support of the Tethys Board and Tethys and Nostrum had worked together to negotiate legally binding agreements implementing the proposed transaction during the exclusivity period Tethys' largest shareholder, PAM, had informed Nostrum that it did not support the proposed transaction and therefore Nostrum informed the Company that the proposed transaction would not proceed.

On November 19, 2015 the Company announced that it had entered into an interim convertible financing facility of up to USD15 million with Olisol Petroleum Limited ("OPL") convertible into Tethys ordinary shares at C$0.17 per share. OPL agreed to advance to Tethys up to USD15 million to be used to repay the USD5 million term loan from Nostrum Oil & Gas PLC and potentially the USD7.5 million convertible debenture from AGR Energy Limited No. 1 with the balance used for general and working capital requirements of the Company. On December 8, 2015 the Company announced announced that it had entered into a binding investment agreement with Olisol Investments Limited setting out the terms and conditions upon which OPL had agreed to purchase 150 million new ordinary shares in Tethys at a price of C$0.17 per share, for total proceeds of C$25.5 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million Shares at C$0.17 per Share.

On March 2, 2016 the Company announced it had signed a legally binding amendment to the USD15 million convertible debt facility entered into on November 19, 2015 with Olisol the key terms of which are as follows:

- Olisol to convert approximately USD6.25 million of the interim facility into ordinary shares at a price of USDD0.10 per share;
- Olisol will work with a bank in Kazakhstan to secure a loan for TethysAralGas LLP, in the amount of USD10 million within 60 days which together with the conversion would satisfy the outstanding obligations of Olisol under the Interim Facility;
- Olisol to provide additional working capital reasonably required by Tethys, until completion of a placement under an amended investment agreement;
- Olisol committed to purchasing 181,240,793 new shares at a price to be agreed by Tethys and Olisol. This purchase, together with the conversion of the amounts outstanding under the interim facility would result in Olisol owning approximately 42% of the Company's shares.

To date, Olisol has converted USD3.74 million of the interim facility into ordinary shares. Their ability to convert the remainder described above as well as to purchase new shares depends upon the Toronto Stock Exchange (TSX) approving Olisol's Personal Information Forms which have been submitted and are currently being reviewed.

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

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the above-described additional funding required to meet capital expenditure programs including its contractual obligations, its ability to renew and maintain access to debt facilities, equity issuances, manage risks associated with depressed oil prices and potential Tenge devaluation and ability to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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. Further details are given in note 5.

Disposal group held for sale

In 2013, the Company announced its intention to sell 50% interest in its Kazakhstan businesses. As a result, the assets and liabilities of the Kazakhstan businesses were grouped together in the Consolidated Statement of Financial Position as "assets of a disposal group held for sale" and "liabilities of a disposal group held for sale". The Company announced on May 1, 2015 that the sale would not be taking place, therefore the assets and liabilities of the Company's Kazakhstan businesses were reclassified in the Consolidated Statement of Financial Position on that date to their previous categories. Further details are given in note 19.

Production expenses

In the course of the financial year, the Company recorded an accrual of additional production taxes along with interest charges incurred. Production expenses of USD1,517,000, finance costs of USD892,000 and a tax benefit of USD303,000 were recognised relating to prior years.

New and amended accounting standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13 - Fair value measurements, IFRS 8 - Operating segments and IAS 24 - Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the consolidated financial statements.

- IAS 19 - Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. This amendment did not have a material impact on the consolidated financial statements.

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

IFRS 9, Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 15, Revenue from contracts with customers (“IFRS 15”), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 16, Leases (“IFRS 16”), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All subsidiaries, as listed in note 26, have been consolidated into the Company’s consolidated financial statements.

Inter-Company transactions, balances and unrealised gains or losses between subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as the Company.

Loss of control

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations

The acquisition method of accounting is used to account for business combinations. The cost of acquisition is measured at the fair value of assets given, equity instruments issued and debt incurred or assumed at the date of acquisition, being the date on which the Company gains control. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. The excess of the cost over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If the cost is less than the fair value of net assets acquired, the difference is recognised directly in the statement of comprehensive loss.

Joint arrangements

The Company classifies its interests in joint arrangements as either joint operations (if the company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

Where the Company has an interest in a joint operation, it recognises its own assets, liabilities and transactions, including its share of those incurred jointly interests in joint operations.

The Company's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's investment is carried in the consolidated statement of financial position at cost plus post-acquisition 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 reflects the Company's share of the profit or loss after tax and other comprehensive income of the jointly venture, until the date on which significant influence or joint control ceases.

When the Company's share of losses in the joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Financial statements of joint ventures are prepared for the same reporting year as the Company.

The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other parties in the joint venture. The Company does not recognise its share of profits or losses that results from the purchase of assets by the Company from the joint venture until when the asset is resold or, where relevant, as the asset is depreciated by the jointly controlled entity.

In circumstances where the significant risks and rewards of ownership of non-monetary assets transferred have not been transferred to the jointly controlled entity, the associated gain or loss is unrealised and, thus, not recognised in profit or loss but recognised as a deferred gain on the consolidated statement of financial position. The deferred gain is recognised in the consolidated statement of comprehensive income when the asset is resold or, where relevant, as the asset is depreciated by the joint venture.

Accounting policies of the joint venture are consistent with accounting policies adopted by the Company.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers have been identified as the Executive Directors that make strategic decisions.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), translated into USD where relevant. These consolidated financial statements are presented in USD, which is the Company's presentation currency.

All monetary assets and liabilities denominated in foreign currencies are translated into USD at the rate of exchange in effect at the reporting date. Non-monetary assets are translated at historical exchange rates.

Revenue and expense items (excluding depreciation and amortisation which are translated at the same rates as the related assets) are translated at the average rate of exchange.

Exchange gains and losses arising on translation are taken to the consolidated statement of comprehensive income.

Oil and gas exploration and evaluation expenditure

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Exploration and evaluation expenditures, including license acquisition costs, are capitalised as exploration and evaluation assets when incurred. Expenditures directly associated with an exploration well are capitalised until the determination of reserves is evaluated. All other associated exploration and evaluation expenditures are carried forward as an intangible asset in the consolidated statement of financial position where the rights of tenure of the property are current and it is considered probable that the costs will be recouped through successful development of the property, or alternatively by its sale. Capitalised exploration and evaluation expenditures are written down to recoverable amount where the above conditions are no longer satisfied.

If it is determined that a commercial discovery has not been achieved in relation to the property, all other associated costs are written down to their recoverable amount. If commercial reserves are found, exploration and evaluation intangible assets are tested for impairment and transferred to appraisal and development tangible assets as part of Property, plant and equipment. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Farm-out arrangements

The Company reflects exploration and evaluation asset farm-out arrangements, when the acquirer ("the farmee") correspondingly undertakes to fund carried interests as part of the consideration, on a historical cost basis by recognising only cash payments received, with no consideration in respect of the value of the work to be performed by the farmee. The Company carries the remaining interest at the previous cost of the full interest reduced by the amount of any cash consideration received from the farmees entering the agreement, through crediting any proceeds pro rata to the accounts, whether capital or expense, in which such costs were initially recorded. As farm-out terms are likely to be unique to any single transaction, this policy will be reviewed on a transaction by transaction basis.

Test production and the appraisal and development phase

Test production is production that is generated in the appraisal and development phase before commercial discovery of oil or gas is officially recognised. Revenue generated from test production is credited against the cost of the well until commercial and technical feasibility is established and the project is deemed to have crossed over into the production phase. Revenue and costs generated from a field classified as operating in the production phase is recorded through the income statement.

Oil and gas properties in the production phase

Oil and gas properties within Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Once commercial production in an area of interest has commenced, oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Other property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Drilling rigs and related oil and gas equipment	Straight line	5 – 7 years
Smaller rig related equipment	Straight line	6 – 8 years
Vehicles	Straight line	4 years
Computer equipment	Straight line	3 years
Office equipment	Straight line	5 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated statement of comprehensive income.

Impairment of non-financial assets

Exploration and evaluation costs are tested for impairment when reclassified to oil and gas properties or whenever facts and circumstances indicate potential impairment. An impairment loss is recognised for the amount by which the exploration and evaluation expenditure's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure's fair value less costs to sell and their value in use.

Values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group’s recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of comprehensive income so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Asset retirement obligation ("ARO")

Provision is made for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognised when a legal or constructive obligation arises.

The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of exploration and evaluation expenditure or oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of ARO is capitalised, whilst the charge arising from the accretion of the discount applied to the ARO is treated as a component of finance costs.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's consolidated statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. There were no own-use derivative contracts in place during the year.

Restricted cash

Non-current restricted cash comprises interest bearing deposits held in Kazakhstan that have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations. They are carried at fair value with gains or losses taken to the consolidated statement of comprehensive income.

Current restricted cash comprises monies placed on temporary deposit as security against corporate credit cards and a deposit with the Ministry of Finance in Dubai as fixed term deposits with banks.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables in the consolidated statement of financial position.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive loss. When a trade receivable is not collectable, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. These are carried at fair value with gains or losses recognised through the consolidated statement of comprehensive income.

Financial liabilities - borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received net of direct issue costs.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract was entered into and are subsequently re-measured at their fair value with changes in the fair value immediately recognised in the consolidated statement of comprehensive income.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

Inventories

Inventories consist of refined oil products, spare parts and consumable materials and are shown at the lower of cost and net realisable value. Cost is determined on a weighted average cost method for refined oil products and the first-in-first-out method for spare parts and consumable materials inventories.

Non-current assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities (known as disposal groups) are classified as held-for-sale when their carrying amounts will be recovered principally through sale and are presented separately on the face of the statement of financial position. The comparative statement of financial position is not re-presented when non-current assets or disposal groups are classified as held-for-sale.

Where a sale plan meets the above criteria and involves the loss of control of a subsidiary, all assets and liabilities of the subsidiary are classified as held-for-sale regardless of whether a non-controlling interest is retained in the subsidiary after the sale.

Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held-for-sale are not depreciated.

A discontinued operation is a component of the group's business that either has been disposed of or is classified as held-for-sale and is part of a co-ordinated single plan to dispose of all or substantially all of a separate major line of business or geographical area of operations.

Discontinued operations are presented separately on the face of the statement of comprehensive income, and related cash flow information is disclosed. The comparative statement of comprehensive income and cash flow information is re-presented for discontinued operations.

Taxation including deferred taxation

The tax expense represents current tax and deferred tax.

Current tax is based on the taxable profits for the year. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability settled.

Share–based payments

The Company operates share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and warrants) of the Company. The fair value of the employee options and warrants granted in exchange for the employee services is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. When options vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Warrants

Warrants issued to loan holders are regarded as derivative instruments, with a fair value at inception representing the value attributable to the option to convert the warrants into equity of the Company.

For warrants issued to loan holders by the Company, where there is a difference between the currency in which shares of the parent company are denominated and the functional currency of the Company, the option to convert the warrants is recorded as a derivative liability because it is not a contract to exchange a fixed number of shares for a fixed amount of US dollars. The derivative liability component is separately identified and measured at fair value through the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. The increase in the provision due to passage of time is recognised as interest expense.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of natural gas and oil products in the ordinary course of the Company's activities and is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities as described below. Revenue is shown after eliminating sales within the Company.

Revenue from natural gas and oil sales is recognised when it has been lifted and the risk of loss transferred to a third-party purchaser and is shown net of value-added tax. Value-added tax is paid on goods and services purchased and collected on sales of goods and services. At the end of a stipulated period, a deficit is refunded and a surplus is paid to the local tax authority.

The Company recognises finance income earned on the Company's cash and cash equivalents and short term investments on an accruals basis.

Sales expenses

Sales expenses represent agent commissions paid in relation to securing its gas sales contracts and are accrued as gas sales revenue is generated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset or project under construction are capitalised and added to the asset or project cost during construction until such time as the asset or project is substantially ready for its intended use. Where funds are specifically borrowed to finance an asset or project, the amount capitalised represents the actual amount of borrowing cost incurred. Where funds used to finance an asset or project form part of general borrowings, the amount capitalised is calculated by using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Fair value

The fair value of investments, trade and other receivables, trade and other payables approximate their carrying amounts due to the short term maturity of the instruments. Derivative financial instruments are recorded at fair value with movements in fair value recognised through the consolidated statement of comprehensive income.

Amortised Cost

Loan receivables, long term debt and other non-current liabilities have been recorded at amortised cost using the effective interest rate method.

(tabular amounts in thousands of US dollars, except where noted)

3 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity 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.

The Executive Board of Directors has overall responsibility for the Company's management of risk, including the identification and analysis of risks faced by the Company and the consideration of controls that monitor changes in risk and minimise risk wherever possible.

a) Financial risk factors

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:

	2015	2014
Trade receivables	918	-
Cash and cash equivalents	3,272	3,112
Restricted cash	2,448	739
	6,638	**3,851**
Assets of disposal group held for sale (note 19):		
Trade receivables	-	1,540
Cash and cash equivalents	-	757
Restricted cash	-	1,922
Loans receivable from jointly controlled entities	-	1,500
	-	**5,719**
Total	**6,638**	**9,570**

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 year. The Company is dependent upon these customers for sales due to the location of oil production and the requirement to sell gas to the State Company. At December 31, 2015, the trade receivable amounted to USD918,000 (2014: USD1,540,000). There are no trade receivables overdue past 30 days (2014: USD nil).

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 counterparty banks used are those with high credit ratings (A- or equivalent) assigned by international ratings agencies (Fitch and Standard and Poors). Banks used in Central Asia generally do not have credit ratings assigned by international ratings agencies, however, deposits held with these banks are kept to a minimum as much as possible.

(tabular amounts in thousands of US dollars, except where noted)

The Company is exposed to credit risk in relation to its loans receivable from jointly controlled entities to the extent that the jointly controlled entities fail to meet their contractual obligations. The Company does not believe that the balance is impaired at the reporting date. The carrying amount of the loans receivable represents the maximum exposure to credit risk at each balance sheet 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 December 31, 2015. Refer also to note 2 - Going concern.

The Company's processes for managing liquidity risk includes preparing and monitoring capital and operating budgets, co-ordinating and authorising project expenditures and ensuring appropriate authorisation 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:

As at December 31, 2015	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	Thereafter
Non-derivative financial liabilities						
Trade and other payables	14,322	14,322	14,189	133	-	-
Financial liabilities - borrowings (note 21)	32,032	37,772	11,924	25,848	-	-
Total	**46,354**	**52,094**	**26,113**	**25,981**	**-**	**-**

As at December 31, 2014	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	Thereafter
Non-derivative financial liabilities						
Trade and other payables	4,102	4,102	4,102	-	-	-
Financial liabilities - borrowings (note 21)	10,628	12,213	5,963	6,250	-	-
Total	**14,730**	**16,315**	**10,065**	**6,250**	**-**	**-**
Liabilities of disposal group held for sale (note 19)						
Trade and other payables	5,710	5,710	5,504	159	47	-
Financial liabilities – borrowings (note 21)	4,871	5,525	3,235	2,290	-	-
Total	**10,581**	**11,235**	**8,739**	**2,449**	**47**	**-**

It is not expected that the cash flows included in the maturity schedule could occur significantly earlier, or at significantly different amounts.

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 is available, that it will be on terms acceptable to the Company (see note 2 – Going concern). The inability of the Company to access sufficient capital for its operations could have a material adverse impact on the Company's financial condition, results of operations and prospects.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rate and foreign exchange rates.

Commodity price risk

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the price received for sales of gas and refined oil products. The marketability and price of natural gas and oil that is produced and may be discovered by the Company will be affected by numerous factors that are beyond the control of the Company.

Natural gas prices are subject to wide fluctuations. The Company has therefore entered into a fixed price contract for sales of gas from the Kyzyloi field in Kazakhstan. However, any material decline in natural gas prices could result in a reduction of Tethys' future net production revenues and impact on the commercial viability of the Company's existing and future oil and gas discoveries. It may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in volumes and the value of Tethys' gas reserves, if the Company elected not to produce from certain wells at lower prices.

Any material decline in oil product prices could result in a reduction of the Company's oil revenues in Kazakhstan.

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.

There were no commodity price financial derivatives outstanding as at December 31, 2015 and 2014.

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 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. A decrease of 1% in the interest rate would have had minimal impact on the Company's results for the year (2014: USD23,000).

(tabular amounts in thousands of US dollars, except where noted)

As at the reporting date the Company's interest rate profile was:

As at December 31, 2015	Fixed rate financial instruments	Variable rate financial instruments	Total
Restricted cash	2,233	215	2,448
Cash and cash equivalents	-	3,272	3,272
Financial liabilities - borrowings	(32,032)	-	(32,032)
Total	**(29,799)**	**3,487**	**(26,312)**

As at December 31, 2014	Fixed rate financial instruments	Variable rate financial instruments	Total
Restricted cash	623	116	739
Cash and cash equivalents	-	3,112	3,112
Financial liabilities - borrowings	(6,726)	(3,902)	(10,628)
Total	**(6,103)**	**(674)**	**(6,777)**
Liabilities of disposal group held for sale (note 19)			
Restricted cash	1,922	-	1,922
Cash and cash equivalents	-	757	757
Financial liabilities - borrowings	(4,871)	-	(4,871)
Total	**(2,949)**	**757**	**(2,192)**

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 USD. In addition, a portion of expenditures in the UK, Kazakhstan, Tajikistan and Georgia are denominated in local currency, Sterling, Tenge, Somoni and Lari, respectively. The Company also attempts to negotiate exchange rate stabilisation conditions in new local Tenge denominated service and supply contracts in Kazakhstan.

The Company holds the majority of its cash and cash equivalents in USD. 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.

(tabular amounts in thousands of US dollars, except where noted)

The carrying amounts of the Company's significant foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

In USD'000 equivalent as at December 31, 2015	GBP[1]	KZT[1]
Cash and cash equivalents	246	641
Trade and other receivables	166	4,513
Trade and other payables	(796)	(366)
Financial liabilities –borrowings	(2,170)	(2,571)
Net exposure	**(2,554)**	**2,217**

In USD'000 equivalent as at December 31, 2014	GBP	KZT
Cash and cash equivalents	1,788	754
Trade and other receivables	34	9,532
Trade and other payables	(184)	(2,393)
Financial liabilities –borrowings	(2,769)	(4,871)
Net exposure	**(1,131)**	**3,022**

Note 1 – GBP- British Sterling Pound, KZT – Kazakhstani Tenge

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

Effect to profit or (loss) before tax in USD'000	2015	2014
GBP	(255)	(113)
KZT	222	302
Total	**(33)**	**189**

A 10% strengthening of the USD against the currencies above at December 31, 2015 would have had an equal but opposite effect on the amounts shown above, assuming all other variables remained constant.

b) Capital risk management

The Company's capital structure is comprised of shareholders' equity and net 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 expenditures on commitments 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.

(tabular amounts in thousands of US dollars, except where noted)

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2015	**2014**
Total financial liabilities - borrowings (note 21)	32,032	10,628
Total financial liabilities – borrowings of disposal group (note 19)	-	4,871
Less: cash and cash equivalents	(3,272)	(3,112)
Less: cash and cash equivalents of disposal group (note 19)	-	(757)
Net debt/(funds)	**28,760**	**11,630**
Total equity	131,570	205,750
Total capital	160,330	**217,380**

If the Company is in a net debt position, the Company 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 an alternative route such as the issuing of equity. Refer also to note 2 – Going concern.

c) Fair value hierarchy

The tables below analyse financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. The Company does not have any assets or liabilities that require Level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. For the Company, Level 2 inputs include prices that can be corroborated with other observable inputs for substantially the complete term of the contract.

Level 3: Unobservable inputs. For the Company, Level 3 inputs include production and price assumptions that are not based on observable market data (unobservable inputs) or are reliant on adjustments or interpolations are made by management to an otherwise standard valuation model.

Warrants (note 21.2)	**2015**	**2014**
Level 1	-	-
Level 2	275	-
Level 3		-
Total	**275**	**-**

4 Critical judgements and accounting estimates

The preparation of financial statements requires management to make certain judgements, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Accordingly, the impact of these estimates, assumptions and judgments on the consolidated financial statements in future periods could be material. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

(tabular amounts in thousands of US dollars, except where noted)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Critical accounting estimates and assumptions

The significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are summarised as follows:

Recoverability of asset carrying values

The Company assesses its property, plant and equipment and intangible exploration and evaluation assets, for possible indicators of impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Company's business plans, market capitalisation, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

If there are low oil prices or natural gas prices during an extended period, the Company may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, the higher of fair value less cost of disposal ("FVLCD") or value-in-use ("VIU"). Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil, natural gas and refined products.

Due to declining global oil and gas prices and carrying amount of the assets is more than the Company's market capitalisation, indicators of impairment were noted for Kazakhstan Cash Generating Units ("CGUs"). Based on the impairment test performed by management, the recoverable amount of all CGUs exceeded their carrying values. The FVLCD was calculated using a discounted cash flow model based on the proved plus probable reserves using forecast oil and gas prices and an after-tax discount rate of 13% for all CGUs. The cash flow model used is considered a level 3 fair value technique.

FVLCD calculation assumes the following forecast oil and gas sales prices in US$/bbl and US$/Mcm, respectively, which was based on the December 31, 2015 price decks prepared by the Company's independent reserve evaluator.

Year	Domestic gas Mcm	Export gas Mcm	Domestic oil bbl	Export oil bbl
2016	58.33	144.99	8.94	28.26
2017	58.33	168.44	12.48	32.87
2018	64.91	261.99	18.56	57.36
2019	99.85	261.99	20.38	67.36
2020	114.11	261.99	20.59	68.56
2021	115.82	261.99	20.81	69.78
2022	117.56	261.99	21.03	71.01
2023 and thereafter	119.32	261.99	21.25	72.27

Oil and gas reserves

Proved and probable oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure costs and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Asset retirement obligation

Provisions for environmental clean-up and remediation costs associated with the Company's drilling operations are based on current legal or constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for tax assessments based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Functional currency

The Company has foreign operations, principally in Kazakhstan. Significant judgement is required in determining the functional currency of those operations with consideration given to the currency of the primary economic environment in which it operates. This includes assessing inter alia the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods. A number of secondary factors are also taken into account.

Other significant areas of judgement

The significant areas of critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are summarised as follows:

(tabular amounts in thousands of US dollars, except where noted)

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 Consolidated Financial Statements for the year ended December 31, 2015. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgement.

Disposal group held for sale

Classification of Disposal Group as Held for Sale and Discontinued Operations requires that an entity classify assets or a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and if the sale is highly probable. See note 19 for further details.

Fair value of stock based compensation and warrants

The estimates and assumptions made in relation to the fair value of stock based compensation and warrants and the associated expense recognition are subject to measurement uncertainty. The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

CGU Identification

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors its operations.

5 Discontinued operations

The Board formally decided in December 2013 to exit from Uzbekistan and 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. The results from discontinued operation can be summarised as follows:

	2015	**2014**
Expenses	(28)	(912)
Loss after tax	(28)	(912)
Cash flows from the discontinued operation were as follows:		
Net cash used in operating activities	(307)	(2,019)
Net cash used in discontinued operations	(307)	(2,019)

(tabular amounts in thousands of US dollars, except where noted)

6 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, Tajikistan and Georgia. 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.

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 according to operational requirements.

The following is an analysis of the Company's revenue, results and assets by reportable segment:

2015	Kazakhstan	Tajikistan	Georgia	Other and corporate	Continuing operations	Uzbekistan[1]	Total
Gas sales	16,228	-	-	-	16,228	-	16,228
Oil sales	5,898	-	-	-	5,898	-	5,898
Other income	9	-	-	-	9	-	9
Other operating income	-	-	-	919	919	-	919
Segment revenue and other income	**22,135**	**-**	**-**	**919**	**23,054**	**-**	**23,054**
Inter-segment revenue	-	-	-	(919)	(919)	-	(919)
Segment revenue and other income from external customers	**22,135**	**-**	**-**	**-**	**22,135**	**-**	**22,135**
Loss from jointly controlled entity	(2,796)	-	-	-	(2,796)	-	(2,796)
Loss before taxation	**(26,842)**	**(25,934)**	**(4)**	**(15,393)**	**(68,173)**	**(28)**	**(68,201)**
Taxation	(6,234)	-	-	(196)	(6,430)	-	(6,430)
Loss for the year	**(33,076)**	**(25,934)**	**(4)**	**(15,589)**	**(74,603)**	**(28)**	**(74,631)**
Total assets	137,733	22,026	12,944	17,666	190,369	-	190,369
Total liabilities	17,450	9,160	1	32,098	58,709	90	58,799
Cash expenditure on exploration & evaluation assets, property, plant and equipment	2,754	4,631	908	-	8,293	-	8,293
Depreciation, depletion & amortisation	25,388	-	-	3,343	28,731	-	28,731

Note 1 - Discontinued operation in 2013 (note 5).

(tabular amounts in thousands of US dollars, except where noted)

In Kazakhstan sales were made to two customers representing greater than 10% of total segment revenue of USD16,228,000 and USD5,898,000.

Borrowing costs of USD595,000 and USD724,000 incurred in the Corporate segment were capitalised in the Kazakhstan and Tajikistan segments respectively during the year.

There was no capitalisation of amortisation of assets held in the Corporate segment during the year.

Total assets and liabilities for Tajikistan include the underlying assets of Seven Stars Energy Corporation (“SSEC”), in which the Company has an 85% ownership interest, and its subsidiaries.

2014	**Kazakhstan**	**Tajikistan**	**Georgia**	**Other and corporate**	**Continuing operations**	**Uzbekistan[1]**	**Total**
Gas sales	8,191	-	-	-	8,191	-	8,191
Oil sales	18,920	-	-	-	18,920	-	18,920
Other income	26	252	-	-	278	-	278
Other operating income	-	-	-	2,019	2,019	-	2,019
Segment revenue and other income	**27,137**	**252**	**-**	**2,019**	**29,408**	**-**	**29,408**
Inter-segment revenue	-	-	-	(2,019)	(2,019)	-	(2,019)
Segment revenue and other income from external customers	**27,137**	**252**	**-**	**-**	**27,389**	**-**	**27,389**
(Loss)/profit from jointly controlled entity	(1,356)				(1,356)	-	(1,356)
Profit / (loss) before taxation	**5,634**	**(1,486)**	**(9)**	**(19,149)**	**(15,010)**	**(912)**	**(15,922)**
Taxation	(51)	(96)	-	(316)	(463)	-	(463)
Net profit / (loss) for the year	**5,583**	**(1,582)**	**(9)**	**(19,465)**	**(15,473)**	**(912)**	**(16,385)**
Total assets	172,514	35,654	12,175	18,344	238,687	8	238,695
Total liabilities	16,092	2,400	178	13,867	32,537	408	32,945
Cash expenditure on exploration & evaluation assets, property, plant and equipment	19,288	4,212	2,297	272	26,069	-	26,069
Depreciation, depletion & amortisation	-	-	-	1,270	1,270	-	1,270

Note 1 - Discontinued operation in 2013 (note 5).

In Kazakhstan sales were made to two customers representing greater than 10% of total segment revenue of USD18,920,000 and USD8,191,000.

Borrowing costs of USD451,681 and USD352,892 incurred in the Corporate segment were capitalised in the Kazakhstan and Tajikistan segments respectively during the year.

Amortisation of USD113,515 of assets held in the Corporate segment was capitalised during the year.

(tabular amounts in thousands of US dollars, except where noted)

7 Sales and other operating revenues

	2015	2014
Gas sales	16,228	8,191
Oil sales	5,898	18,920
Other revenue	9	278
Revenue from continuing operations	**22,135**	**27,389**

8 Administrative expenses

Administrative expense by nature	2015	2014
Staff expenses	4,458	8,871
Office costs	941	1,989
Professional fees	1,503	2,348
Travel expenses	828	2,278
Regulation costs	391	406
Directors costs	439	372
Other administrative expenses	932	1,383
Total	**9,492**	**17,647**

9 Restructuring costs

	2015	2014
Restructuring costs	3,247	2,585
Restructuring provision	360	1,759

On December 1, 2014 the Company announced a downsizing program with staff reductions and cost reductions in all key general and administrative expenses areas. At the same time the Company announced its intention to close its Dubai, Washington and Toronto offices as soon as practical. During 2015 the Company also closed offices in Guernsey, Brussels, Maastricht, Beijing and Tbilisi. The costs associated with this programme of restructuring have been shown in the Consolidated Statement of Comprehensive Income/(Loss) separately from administrative expenses to provide additional information in relation to these expenses.

10 Share-based payments

The Company has adopted a stock incentive plan referred to as the “2007 Long Term Stock Incentive Plan” pursuant to which the Company may grant stock options to any director, employee or consultant of the Company, (collectively, “Service Providers”).

The maximum number of Ordinary Shares reserved for issuance under the plan equals 12% (2014: 12%) of the outstanding Ordinary Shares. The plan is administered by the Compensation and Nomination Committee of the Board of Directors. Options may be granted pursuant to recommendations of the Compensation and Nomination Committee. The Compensation and Nomination Committee may determine the vesting schedule and term, provided that options may not have a term exceeding ten years. Subject to any resolution passed by the Compensation and Nomination Committee, options will terminate three months after an option holder ceases to be a Service Provider.

(tabular amounts in thousands of US dollars, except where noted)

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

Options granted prior to 2015 vest in three tranches with one third vesting immediately, one third after one year and one third after two years. For grants made in 2015, in general, the options vest in three tranches with one third vesting at end of each year over a period of 3 years. In both instances, these options are equity settled share based payment transactions.

The following table lists the options outstanding at December 31, 2015 by exercise price:

Exercise price	Exercise price USD equivalent	Options outstanding	Weighted average remaining term (in years)	Options exercisable	Weighted average remaining term (in years)
CAD 0.80	0.60	90,000	2.92	90,000	2.92
CAD 0.88	0.66	1,758,000	1.31	1,758,000	1.31
CAD 1.72	1.29	150,000	0.18	150,000	0.18
GBP 0.15	0.20	8,027,500	4.06	n/a	n/a
GBP 0.17	0.23	1,000,000	3.90	1,000,000	3.90
Total		**11,025,500**	**3.54**	**2,998,000**	**2.17**

The following table summarises the activity under the 2007 Long Term Stock Incentive Plan.

	2015		**2014**	
	Number of options	**Weighted average exercise price ($)**	**Number of options**	**Weighted average exercise price ($)**
Outstanding at January 1	15,362,400	1.58	33,707,400	1.35
Granted	10,422,500	0.22	120,000	0.72
Forfeited	(1,545,000)	0.25	(10,000)	0.88
Expired	(13,214,400)	1.50	(18,455,000)	1.15
Outstanding at December 31	11,025,500	0.31	15,362,400	1.58
Exercisable at December 31	2,998,000	0.53	15,142,400	1.59

(tabular amounts in thousands of US dollars, except where noted)

The fair value of the share-based payment grants is estimated using the Black-Scholes pricing model using the following average assumptions:

	2015	2014
Weighted average fair value	$0.0635	$0.1876
Risk free rate	1.15%	1.28%
Expected term	3.39 years	3.00 years
Volatility	66.8%	66.00%
Dividend	Nil	Nil
Weighted average share price of options exercised in year	n/a	n/a

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected option term.

Warrants classified as derivative financial instruments

The Company has issued warrants which are classified as derivative financial instruments. Details of these are given in note 21.2.

Warrants issued in connection with loans

The following table summarises the warrant activity for the years ended December 31, 2015 and December 31, 2014.

	2015		2014	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Outstanding at January 1	2,090,000	2.50	2,267,038	2.38
Expired	-	-	(177,038)	0.94
Outstanding at December 31	2,090,000	2.50	2,090,000	2.50
Exercisable at December 31	2,090,000	2.50	2,090,000	2.50

Of the warrants outstanding and exercisable at the end of the year, 280,000 (2014: 280,000) relate to warrants granted to the Company's officers.

There are no performance conditions attached to the warrants and all the granted warrants were immediately vested. Warrants are equity settled share based payment transactions.

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected warrant term.

The following table lists the warrants outstanding at December 31, 2015 by exercise price.

Exercise price ($)	Warrants outstanding	Weighted average remaining term (in years)	Warrants exercisable	Weighted average remaining term (in years)
2.50	2,090,000	1.98	2,090,000	1.98

(tabular amounts in thousands of US dollars, except where noted)

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

	2015	2014
Loss before income taxes from continuing operations	(68,173)	(15,010)
Income tax rate	20%	20%
Expected income tax recovery	(13,635)	(3,002)
Decrease resulting from:		
Non-deductible expenses net of functional currency foreign exchange impact	445	(3,804)
Revisions in tax estimates and foreign exchange impact on tax pools	11,565	2,353
Impact of effective tax rates in other foreign jurisdictions	8,385	2,892
Losses and tax assets not utilised/recognised	(330)	2,024
	6,430	**463**
Current tax expense	210	425
Deferred tax expense	6,220	38
Total	**6,430**	**463**

The temporary differences comprising the deferred income tax (asset)/liability are as follows:

	2015	2014
Tax losses	226	258
Deferred tax asset	**226**	**258**
Capital assets	13,008	-
Other	(2,216)	-
Deferred tax liability	**10,792**	**-**
Liabilities of disposal group (note 19)		
Capital assets	-	7,249
Tax losses	-	(3,034)
Other	-	348
Net deferred tax liability	**-**	**4,563**

No current and deferred tax was charged or (credited) to equity or other comprehensive income. Total tax for the year was charged (credited) to the statement of comprehensive income.

Deferred income tax assets are recognised for tax loss carry forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has not recorded deferred tax assets in respect of the following temporary differences:

	2015	2014
Capital assets	31,797	7,662
Tax losses	39,627	3,248
Other	639	772
Total	**72,063**	**11,682**

Earnings retained by subsidiaries amounted to USD12.8 million at December 31, 2015 (December 31, 2014 - USD15.9 million). No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings as it is not expected that they will be remitted in the foreseeable future.

12 Loss per share

		2015		2014	
	Units	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Loss for the purpose of basic and diluted loss attributable to ordinary shareholders	$'000	(74,601)	(28)	(15,115)	(912)
Weighted average shares	000s	336,717	336,717	320,555	320,555
Per share amount	$	(0.22)	-	(0.05)	-

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 year. 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, comprising share options and warrants, are currently anti-dilutive and therefore there is no difference between basic and diluted earnings per share. The number of potential ordinary shares excluded from the calculation is 5,088,000 (2014: 17,232,400).

13 Intangible assets

Exploration and evaluation assets	Kazakhstan	Georgia	Tajikistan	Total
January 1, 2014	-	-	31,074	31,074
Additions	-	11,996	4,560	16,556
December 31, 2014	-	11,996	35,634	47,630
Additions	129	909	12,284	13,322
Exploration and evaluation expenditure written off	-	-	(25,918)	(25,918)
Transfer from assets held for sale	29,168	-	-	29,168
December 31, 2015	**29,297**	**12,904**	**22,000**	**64,202**

USD25,918,000 was written off from the Bokhtar Production Sharing Contract “PSC”) to reduce the carrying value of investments to their estimated recoverable amount.

Borrowing costs of USD734,000 (2014: USD352,892) have been capitalised within exploration and evaluation assets during the year. The effective weighted average interest rate of the relevant borrowings was 16% (2014: 16%). The effective interest rate is higher than the nominal rate due to the cost of associated warrants (note 21.2) and royalties (note 21.3).

For the year ended December 31, 2015, USD1,739,000 (2014: USD2,176,619) was capitalised from staff costs and share-based payment expense.

Tajikistan – Impairment

The Company’s exploration and evaluation assets in Tajikistan is held via an effective 28.33% participating interest in Bokhtar Production Sharing Contract (“PSC”), with its partners Total and CNPC. The Company ceased paying cash calls from September 2015 and due to the default was issued with a Notice to Withdraw from Total and CNPC. The Company is exploring various strategic alternatives with respect to the Tajikistan interests. The recoverable amount was determined using the higher of fair value less cost of disposal ("FVLCD") or value-in-use ("VIU"). FVLCD was established with reference to a valuation completed by a third party valuation expert using recent market transactions and comparable offers for the assets adjusted for changes in market conditions. As a consequence, The Company have written off USD25,918,000 of its carrying value to an estimated recoverable amount of USD22,000,000. The recoverable amount was categorized as Level 3 fair value based on the unobservable inputs used. The fair value is sensitive to changes in unobservable inputs mainly oil prices and the effect of changes to unobservable inputs could have a significant effect on the fair value. 5% change in such prices would impact the recoverable amount by US$xxx.

(tabular amounts in thousands of US dollars, except where noted)

14 Property, plant and equipment

	Oil and gas properties			Oil and gas equipment			Other fixed assets[1]			Total net book amount
	Cost	Amortisation	Total	Cost	Depreciation	Total	Cost	Depreciation	Total	
January 1, 2014	**-**	**-**	**-**	**22,184**	**(7,575)**	**14,609**	**1,527**	**(845)**	**682**	**15,291**
Additions	-	-	-	-	-	-	326	-	326	326
Disposals	-	-	-	-	-	-	(163)	69	(94)	(94)
Amortisation and depletion	-	-	-	-	(1,307)	(1,307)	-	(412)	(412)	(1,719)
December 31, 2014	**-**	**-**	**-**	**22,184**	**(8,882)**	**13,302**	**1,690**	**(1,188)**	**502**	**13,804**
Additions	2,113	-	2,113	-	-	-	94	-	94	2,207
Transfer from assets held for sale	166,069	(43,367)	122,702	3,159	(696)	2,463	3,785	(2,764)	1,021	126,186
Disposals	-	-	-	-	-	-	(474)	405	(69)	(69)
Amortisation and depletion	-	(24,870)	(24,870)	-	(2,976)	(2,976)	-	(885)	(885)	(28,731)
December 31, 2015	**168,182**	**(68,237)**	**99,945**	**25,343**	**(12,554)**	**12,789**	**5,095**	**(4,432)**	**663**	**113,397**

Note 1 – Consists of vehicles, computer and office equipment.

Borrowing costs of USD585,000 have been capitalised to oil and gas properties in the current year (2014: USD246,504). The effective weighted average interest rate of the relevant borrowing was 16%, (2014: 16%). The effective interest rate is higher than the nominal rate due to the cost of associated warrants (note 21.2).

For the year ended December 31, 2015, USD627,000 (2014: USD1,172,732) was capitalised to oil and gas properties from staff costs and share-based payment expense.

"Oil and gas properties" assets with a net book value amounting to USD9,571,000 have been pledged by Tethys Aral Gas LLP ("TAG") as security for the bank loan facility (note 21.1).

15 Restricted Cash

	2015	2014
Non-current	2,233	623
Current	215	116
Total	2,448	739

Non-current amounts in the current period consists of interest bearing deposits held in Kazakhstan that have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations and in the prior period a deposit of GBP 400,000 placed as security with respect to amounts owed to Vazon Limited, a company controlled by the Company's former Executive Chairman.

(tabular amounts in thousands of US dollars, except where noted)

Current amounts consist of monies placed on temporary deposit as security against corporate credit cards and a deposit with the Ministry of Finance in Dubai.

16 Trade and other receivables

	2015	2014
Non-current		
Value added tax receivable	2,457	-
	2,457	**-**
Current		
Trade receivables	918	-
Prepayments	319	209
Other receivables	1,097	385
Value added tax receivable	1,376	40
	3,710	**634**
Assets of disposal group held for sale (note 19)		
Non-current		
Advances to construction contractors	-	575
Value added tax receivable	-	5,500
	-	**6,075**
Current		
Trade receivables	-	1,540
Prepayments	-	533
Other receivables	-	1,127
Value added tax receivable	-	2,304
	-	**5,504**

Non-current advances to construction contractors relate to suppliers who were paid in advance for materials and services relating to both the Akkulka and the Kul-Bas contracts.

Current trade and other receivables are unsecured and non-interest bearing. Normal payment terms for the Company are 30 days. Prepayments primarily relate to corporate operating expense items. There are no trade receivables overdue past 30 days (2014: USD nil). The other classes within trade and other receivables do not contain impaired assets.

17 Loan receivable from jointly controlled entity

Joint Venture – Aral Oil Terminal (Kazakhstan)

On February 16 2011, the Company signed a Joint Venture agreement with Olisol Investments Limited (“Olisol”) to construct and operate a rail oil loading terminal in Kazakhstan through a separate jointly controlled legal entity, Aral Oil Terminal LLP (“AOT”). The terminal is used to deliver and sell oil for the Akkulka block. In conjunction with the Company’s oil production facilities at the Akkulka field which enable the processing of oil to refinery specification, the Terminal significantly reduces trucking distances and provides storage capacity and unloading/loading facilities.

(tabular amounts in thousands of US dollars, except where noted)

The following amounts represent the movements in the loan receivable:

	2015	2014
Transfer from assets of a disposal group held for sale (note 19)	1,500	-
Reclassification from investment in joint arrangements	867	-
Finance income on loan receivable	180	-
Provision made against loan receivable	(2,547)	-
Balance, end of year	**-**	**-**
Assets of disposal group held for sale (note 19)		
Balance, beginning of year	1,500	2,676
Share of profit	-	(1,356)
Finance income on loan receivable	-	180
Transfer out of assets of a disposal group held for sale (note 19)	(1,500)	-
Balance, end of year	**-**	**1,500**

The loan bears interest at 10% per annum, is unsecured and repayable on demand. At December 31, 2015, the Company recognised full impairment of the loan receivable from AOT due to the losses incurred by the terminal.

18 Investment in joint arrangements

Aral Oil Terminal (Kazakhstan)

As discussed in note 17, in 2011, the Company entered into a Joint Venture Agreement with Olisol under which it has a 50% interest in the jointly controlled entity, AOT. At December 31, 2015, investment in the joint venture was USD nil (2014: USD1,115,728). The Company has classified the arrangement as a joint venture and it is accounted for using the equity method of accounting. The key risk faced by AOT is its reliance on a single customer as currently only the oil produced by the Company is processed at the facility.

(tabular amounts in thousands of US dollars, except where noted)

Summary financial information for AOT is as follows:

	2015	2014
Assets		
Non-current assets	3,544	7,463
Cash and cash equivalents	1	11
Current assets (excluding cash)	698	2,402
Total assets	**4,243**	**9,876**
Liabilities		
Non-current liabilities	-	464
Trade and other payables	379	1,118
Current liabilities (excluding trade and other payables)	8,256	10,136
Total liabilities	**8,635**	**11,718**
Net liabilities	**(4,392)**	**(1,842)**
50% share of net liabilities	(2,196)	(921)
Comprising:		
Share of shareholders' equity opening balance	(921)	487
Share of loss after tax in current year	(2,600)	(1,356)
Foreign currency translation	1,325	(52)
	(2,196)	**(921)**
	2015	**2014**
Revenue	1,197	1,581
Depreciation and amortisation	(707)	(877)
Other expenses	(1,283)	(2,663)
Foreign exchange loss	(4,031)	-
Interest expense	(740)	(936)
Loss before tax	**(5,564)**	**(2,895)**
Tax	364	184
Loss after tax from continuing operations and total comprehensive loss	**(5,200)**	**(2,711)**
50% share of joint venture loss after tax	**(2,600)**	**(1,356)**

A net book value of the joint venture's assets included under "Non-current assets" in the table above amounting to USD3,358,800 (2014: USD4,282,000) has been pledged by the Joint Venture as security for the bank loan facility (note 21.1).

Bokhtar Operating Company (Tajikistan)

On June 18, 2013, a subsidiary of the Company, Kulob Petroleum Limited ("Kulob"), completed a farm-out agreement with subsidiaries of Total Exploration and Production ("Total") and China National Petroleum Corporation ("CNPC") whereby each acquired a one third interest in Kulob's Bokhtar Production Sharing Contract. An operating company, Bokhtar Operating Company BV, has been established and 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) and recognises its own assets, liabilities and transactions, including its share of those incurred jointly, in accordance with the relevant IFRSs.

(tabular amounts in thousands of US dollars, except where noted)

19 Assets and liabilities of disposal group held for sale

On November 1, 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 Company announced on May 1, 2015 that the sale would not be taking place. The assets and liabilities of the Company's Kazakhstan businesses were therefore reclassified in the Consolidated Statement of Financial Position on that date from "assets of a disposal group held for sale" shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities to their previous categories.

The Company has measured the non-current assets that ceased to be classified as part of the disposal group classified as held for sale at the lower of its carrying amount before the disposal group was classified as held for sale, adjusted for the depletion, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale, and its recoverable amount at May 1, 2015. As a result, Depreciation, depletion and amortisation expense of USD19,357,000 was recognised in the current financial year.

20 Cash and cash equivalents

	2015	**2014**
Cash at bank and in hand	3,272	3,112
	3,272	3,112

Cash at bank balances earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Company, and earn interest at the respective short term deposit rates.

(tabular amounts in thousands of US dollars, except where noted)

21 Financial liabilities

21.1 Borrowings

	Effective interest rate per annum	Maturity date	2015	2014
Current				
Escrow loan	Libor + 1.0%	2015	-	3,901
Rig loans	14.8%	2017	1,386	1,238
Kazakh loan	14.0%-15.9%	2016	2,571	-
Olisol loan	8.2%	2016	5,202	-
			9,159	**5,139**
Non-current				
Rig loans	14.8%	2017	3,995	5,489
Corporate loans	22.6%	2017	9,846	-
Convertible loans	10.6%	2017	9,032	-
			22,873	**5,489**
Liabilities of disposal group (note 19)				
Current				
Kazakh loan	14.0%-15.9%	2016	-	2,651
Non-current				
Kazakh loan	14.0%-15.9%	2016	-	2,220
Total			**-**	**4,871**

The fair value of financial liabilities held at amortised cost approximates the carrying value.

As at December 31, 2015, the Company is in compliance with all debt covenants relating to all borrowing contracts.

Escrow loan

On July 9, 2014, the Company entered into a loan agreement with SinoHan Oil & Gas Investment Number 6 BV whereby SinoHan agreed an early release of the escrow deposit made in connection with the sale transaction referred to in notes 2 and 19. The loan bore interest at the rate of 1 month US LIBOR plus 1% per annum and was repaid during the period following the failure of the transaction to complete.

Rig loans

On February 13, 2014, the Company entered into a loan agreement to borrow up to USD12 million. The loan is secured by the shares of the borrower, a wholly owned subsidiary of the Company, which in turn owns two drilling rigs and other equipment. At December 31, 2015, loans with a face value of USD4.7 million and GBP2.1 million have 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 amortised cost with interest payable of 12% per annum and an effective interest rate of 14.8% per annum.

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 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 principal oil buyer and customer of the 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, 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.

In January 2013, the Kazakh loan arrangement was terminated and replaced with an arrangement whereby funds are advanced to the Company and repaid as a deduction against oil sales. 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.

A total of 1.9 billion KZT (USD12.9 million) of funds have been advanced to the Company under the loan agreement, with monthly repayments of both principal and interest (at a weighted average effective interest rate of between 14.0% and 15.9%). The outstanding balance of the loan at December 31, 2015 is shown in the table above.

In the event that 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 oil and gas property assets have been pledged by both TAG and AOT as security for the above-mentioned bank loan facility.

Corporate - New USD6.0 million loan financing

On January 16, 2015 the Company announced that it had secured a new USD6.0 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company issued the lender with 35,600,000 warrants over the Company's shares with a price of C$0.19. The Company valued these warrants at initial recognition at USD2.1 million. The warrants were surrendered during the period for the surrender value of USD2.1 million which has been added to the principal amount and is repayable on the two year maturity date.

Corporate - New USD3.5 million loan financing

On March 10, 2015 the Company secured a new USD3.5 million unsecured loan facility from Annuity and Life Reassurance Ltd ("ALR"), a company controlled by Pope Asset Management, the Company's largest shareholder. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company has issued the lender with 23,333,333 warrants over the Company's shares with a price of C$0.19. The Company has valued these warrants at initial recognition at USD0.8 million.

Unsecured convertible loan facility from AGR Energy No. 1

On May 15, 2015, the Company issued USD7.5 million aggregate principal amount of convertible debentures (the "AGR Debentures") to AGR Energy Limited No. 1 ("AGR Energy No. 1"). The AGR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 75,000,000 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD180,000.

The AGR Debentures mature on June 30, 2017 and pay interest at a rate of 9% per annum.

Unsecured convertible loan facility from ALR

On June 1, 2015, the Company issued USD1,760,978 aggregate principal amount of convertible debentures to ALR (the "ALR Debentures") a company controlled by Pope Asset Management, the Company's largest shareholder. The ALR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 17,609,780 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD70,000.

The ALR Debentures pay interest at a rate of 9% per annum and mature on June 30, 2017.

Nostrum financing

On August 10, 2015 the Company entered into a new unsecured USD5.0 million term loan facility (the "Loan") with Nostrum Oil & Gas PLC with interest accruing at 9% per annum. The loan was repaid in full on November 27, 2015.

Olisol loan

On November 9, 2015 the Company entered into an interim convertible financing facility of up to USD15 million (the "Interim Financing Facility") with Olisol Petroleum Limited ("OPL"), a wholly owned subsidiary of Olisol. The Interim Financing Facility is convertible into Tethys ordinary shares at C$0.17 per share. The Interim Financing Facility has a maturity date of August 31, 2016 and bears interest at a rate of 9% per annum which together with the principal is payable at the maturity date.

As at December 31, 2015, the Company had drawn down USD5,132,000 from the facility and as required this was used to repay the loan from Nostrum Oil & Gas PLC.

(tabular amounts in thousands of US dollars, except where noted)

21.2 Derivative financial instrument

Warrants

	2015	2014
Balance, beginning of year	-	17
Issued during the year	2,949	-
Fair value gain	(573)	(17)
Surrender of warrants (see note 21.1)	(2,101)	-
Balance, end of year	**275**	**-**

The warrant liability represents the financial liability relating to share warrants where the shares are denominated in a currency that is not the Company's functional currency. These warrants were issued in connection with the two corporate loans described in note 21.1.

The liability was initially recognised at fair value. As the warrants are denominated in foreign currency, there is a written option for the holder to exchange the foreign currency denominated warrant for a fixed number of functional currency denominated shares. This option is a derivative financial instrument and was initially recognised at fair value and subsequently measured at fair value through income.

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

	2015	2014
Weighted average fair value	USD0.01	N/A
Risk free rate	0.48%	N/A
Expected term	1.2 years	N/A
Volatility	108.00%	N/A
Dividend	Nil	N/A

The following table summarises the warrant activity for the years ended December 31, 2014 and December 31, 2013.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2014	4,125,000	0.81
Expired	(4,125,000)	0.81
Outstanding at December 31, 2014	**-**	**-**
Issued	58,933,333	0.15
Surrender of warrants (see note 21.1)	(35,600,000)	0.15
Outstanding and exercisable at December 31, 2015	**23,333,333**	**0.15**

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.

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected warrant term.

(tabular amounts in thousands of US dollars, except where noted)

Convertible loans

In May and June 2015 the Company issued two convertible loans, the terms of which are described in note 21.1. The AGR Debentures contain a cash settlement feature which does not meet the conditions for compound instrument treatment in accordance with IAS 32.25 and/or IAS 32.26. As a result, the instrument is a hybrid instrument containing an embedded derivative conversion feature. The ALR Debentures contains a separate cash settlement feature, which requires the Company to indemnify the holder for the offer amount. This is treated as a contingent settlement provision under IAS 32.25. Accordingly, the instrument is a hybrid instrument containing an embedded derivative feature. The embedded derivative has been valued at inception and revalued at the period end and details are provided below.

	2015	**2014**
Issued during the year	250	-
Fair value gain	(250)	-
Balance, end of year	**-**	**-**

The fair value of the liability was estimated using a valuation model using the following assumptions:

	2015	**2014**
Credit spread	9.94%	N/A
Volatility	70.00%	N/A

21.3 Finance costs / (income)

The net finance cost / (income) comprises:

	2015	**2014**
Finance costs	3,513	1,450
Finance income	(184)	(203)
Total	**3,329**	**1,247**

(tabular amounts in thousands of US dollars, except where noted)

22 Trade and other payables

	2015	2014
Current		
Trade payables	366	623
Accruals	11,710	3,266
Other creditors	2,113	213
	14,189	**4,102**
Non-current		
Other non-current payables	133	-
Total	**14,322**	**4,102**
Liabilities of disposal group held for sale (note 19)		
Current		
Trade payables	-	2,447
Accruals	-	2,162
Other creditors	-	895
	-	**5,504**
Non-current		
Other non-current payables	-	206
Total	**-**	**206**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accruals mainly represent cash calls outstanding to the Bokhtar Operating Company BV joint venture in Tajikistan.

23 Asset retirement obligations

	2015	2014
Transfer from liabilities of disposal group held for sale (note 19)	966	-
Change in estimated cash flow	(168)	-
Unwinding of discount due to passage of time	48	-
Total	846	-
Liabilities of disposal group held for sale (note 19)		
At January 1	948	795
Additional obligations incurred	-	87
Unwinding of discount due to passage of time	18	66
Transfer out of liabilities of disposal group held for sale (note 19)	(966)	-
Total	**-**	**948**

The Company makes provision for the future cost of decommissioning oil and gas production facilities and pipelines on a discounted basis. These costs are expected to be incurred between 2015 and 2029. The provision has been estimated using existing technology at current prices, escalated at 5.4% (2014: 5.4%) and discounted at 7.4 (2014: 7.4%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity prices and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures in the cost of third party service provision. The undiscounted amount of liability at December 31, 2015 is USD1,797,000 (2014: USD1,520,737).

(tabular amounts in thousands of US dollars, except where noted)

24 Capital and reserves

Share capital and share premium

	2015	2014
Authorised		
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, 2014	**287,557,744**	**28,756**	**307,295**
Issued during the year – Georgia acquisition	12,000,000	1,200	4,550
Issued during the year – private placement	36,894,923	3,689	11,258
Share issue costs	-	-	(1,379)
At December 31, 2014	**336,452,667**	**33,645**	**321,724**
Issued during the year	507,720	51	79
At December 31, 2015	**336,960,387**	**33,696**	**321,803**

As at December 31, 2015, a total of 40,374,320 (2014: 40,374,320) ordinary shares are reserved under the Company's Long Term Stock Incentive Plan and Warrants granted by the Company. Details of the options and warrants are given in note 10.

The preference shares have the rights as set out in the Memorandum and Articles of Association approved at the AGM on April 24, 2008. Significant terms related to preference shares are summarised below:

- May be issued in one or more series;
- Are entitled to any dividends in priority to the ordinary shares;
- Confer upon the holders thereof rights in a winding-up priority to the ordinary shares;
- And may have such other rights, privileges and conditions (including voting rights) as the Board may determine prior to the first allotment of any series of preference shares, provided that if a series of preference shares has no or limited voting rights it shall be designated as such by the Board.

There are currently no preference shares outstanding (2014: None).

Other reserves

Other reserves comprise of option reserves and warrant reserves as set out in the Statement of Changes in Equity. The Option and Warrant Reserves relate to stock options and warrants issued to employees under the Long Term Incentive Plan, details of which are disclosed in note 10.

(tabular amounts in thousands of US dollars, except where noted)

25 Non-controlling interest

The table below summarise the information relating to subsidiaries in which there is as a material non-controlling interest, before any group eliminations. In each case the non-controlling interest is 15%.

2015	**Seven Stars Energy Corporation**	**Tethys Services Tajikistan Limited**	**Kulob Petroleum Limited**
Non-current assets	-	1	32,320
Current assets	36,282	8	5,641
Non-current liabilities	-	-	-
Current liabilities	(1,118)	(1,133)	(41,306)
Net assets	**35,164**	**(1,124)**	**(3,345)**
Revenue	-	-	-
Profit/(loss) after tax	(2)	(16)	1
Cash balance at beginning of year	-	19	262
Cash balance at end of year	-	-	12

2014	**Seven Stars Energy Corporation**	**Tethys Services Tajikistan Limited**	**Kulob Petroleum Limited**
Non-current assets	-	2	24,023
Current assets	36,278	51	11,064
Non-current liabilities	-	-	-
Current liabilities	(3,272)	(1,160)	(38,434)
Net assets	**33,006**	**(1,107)**	**(3,347)**
Revenue	-	295	-
Profit/(loss) after tax	(1,444)	(696)	(343)
Cash balance at beginning of year	1,503	459	262
Cash balance at end of year	-	19	262

During 2015, Tethys Services Tajikistan Limited and Kulob Petroleum Limited had cash outflows in respect of operating costs and capitalised exploration and evaluation expenditure and cash inflows in the form of funding from Tethys companies.

(tabular amounts in thousands of US dollars, except where noted)

26 Related party transactions

A list of the investments in subsidiary undertakings including the name, proportion of ownership interest, nature of business, country of operation and country of registration, is given below.

	Percentage	Nature of business	Country of registration	Country of operation
Subsidiaries				
Tethys Kazakhstan SA	100.00%	Holding company	Belgium	Belgium
Transcontinental Oil Transportation SPRL	100.00%	Holding company	Belgium	Belgium
Seven Stars Energy Corporation	85.00%	Holding company	BVI	Tajikistan
Tethys Uzbekistan Limited	100.00%	Holding company	Cayman Islands	Uzbekistan
Tethys Tajikistan Limited	100.00%	Holding company	Cayman Islands	Tajikistan
Imperial Oilfield Services Limited	100.00%	Rig owner	Cayman Islands	Cayman Islands
South Caucasus Petroleum Corporation	100.00%	Holding company	Cayman Islands	Georgia
Trialeti Petroleum limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Lisi Petroleum Limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Saguramo Petroleum Limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Kulob Petroleum Limited	85.00%	Tajik licence holder	Cayman Islands	Tajikistan
Resilient Petroleum Limited	100.00%	Holding company	Cayman Islands	Dormant
Baker Hughes (Cyprus) Limited	100.00%	Discontinued operation	Cyprus	Cyprus
Tethyda Limited	100.00%	Financing	Cyprus	Cyprus
Tethys Services Georgia limited	100.00%	Operating company	Georgia	Georgia
Tethys Services Guernsey Limited	100.00%	Service company	Guernsey	Guernsey
Tethys Aral Gas LLP	100.00%	Oil & gas E&P	Kazakhstan	Kazakhstan
Kul-Bas LLP	100.00%	Exploration	Kazakhstan	Kazakhstan
Tethys Services Kazakhstan LLP	100.00%	Service company	Kazakhstan	Kazakhstan
Asia Oilfield Equipment BV	100.00%	Equipment lease company	Netherlands	Kazakhstan
Tethys Services Limited	100.00%	Service company	United Kingdom	United Kingdom
Tethys Petroleum Incorporated	100.00%	Service company	USA	USA
Tethys Afghanistan Incorporated	100.00%	Inactive	USA	Dormant
Jointly controlled entities				
Aral Oil Terminal	50.00%	Oil terminal operations	Kazakhstan	Kazakhstan
Bokhtar Operating Company BV	28.33%	Joint operating company	Netherlands	Tajikistan

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

The Company has received two loans from Annuity and Life Reassurance Ltd ("ALR"), a company controlled by Pope Asset Management, which owns 19% of the Company's shares by virtue of which both Pope Asset Management and ALR are considered to be related parties of the Company.

There are no other related party transactions requiring disclosure.

(tabular amounts in thousands of US dollars, except where noted)

Remuneration of key management personnel

Key management personnel have been identified as the five Vice Presidents, three Executive Directors and the Non-Executive Directors (2014: twelve Vice Presidents, four Executive Directors and the Non-Executive Directors) who have served during the year. The remuneration of the key management personnel of the Company is set out below in aggregate.

	2015	**2014**
Salaries and short-term employee benefits	3,099	5,698
Share-based payments	386	139
Total	**3,485**	**5,837**

Transactions with affiliates or other related parties including management of affiliates are recorded at their exchange amount.

27 Changes in working capital

	2015	**2014**
Trade and other receivables	2,431	(798)
Inventories	479	88
Trade and other payables	4,582	(2,083)
Change in working capital	7,492	(2,793)
Non-cash transactions	(8,015)	2,689
Net changes in working capital	**(523)**	**(104)**

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

	2015	**2014**
Operating activities	752	(389)
Investing activities	(1,275)	285
Balance	**(523)**	**(104)**

28 Commitments and contingencies

Litigation, claims and assessments

The Company is involved in claims and actions arising in the course of the Company's operations and is subject to various legal actions and exposures, including potential environmental claims and tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or results of operations. If an unfavourable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognised if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

(tabular amounts in thousands of US dollars, except where noted)

Kazakhstan

The regulatory environment including tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstan law and regulations as interpreted by the Kazakhstan authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstan tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

The work programme commitments Kazakhstan businesses can be summarised as follows:

	Kazakhstan Work Programme Commitments			
	Expiry date	**Program 2015**	**Spend to date 2015**	**Program 2016 & later**
Akkulka Production Contract (Gas)	2018			
Financial obligations, total		9,365	3,414	14,341
Investments		3,957	1,626	6,190
Kyzyloi Production Contract (Gas)	2029			
Financial obligations, total		7,488	2,593	55,023
Investments		1,886	1,231	12,060
Akkulka Exploration Contract (Oil)	2019			
Financial obligations, total		5,838	7,348	16,246
Investments		3,192	3,330	12,464
Kul-Bas Exploration Contract	2015			
Financial obligations, total		9,440	887	-
Investments		8,964	642	-
Total				
Financial obligations, total		**32,131**	**14,242**	**85,610**
Investments		**17,999**	**6,829**	**30,714**

General background

Work programmes for exploration and production contracts agreed with the Kazakh State include a required level of "Investments" as defined in the contracts. "Investments" includes capital expenditure, operating expenses, social sphere, sub-soil monitoring and specialist training costs. It is this required level of Investments that forms the principal financial obligation of the Company in respect of its work programme commitments and against which the Company is mainly measured by the relevant Kazakh State authorities along with production volumes in the Production Contracts. Failure by the Company to meet the required level of Investments could put the Company's licences at risk of forfeiture or give rise to penalties for non-fulfillment. Based on the under-fulfilment of commitments shown in the table above the State could potentially seek to impose penalties of up to USD1.9m, however, the Company would seek to argue mitigating circumstances to have any such penalties levied waived or reduced.

In addition, an assumed level of other costs forms part of the overall work programme (insurance, liquidation fund, indirect costs and taxes). Taken together with the Investments amount described above these form the Company's "Financial obligations, total" as defined in the contracts and as set out in the table above.

Apart from the Company's work programme commitments, other amounts may become payable to the Kazakh State in certain circumstances. These are described below.

Akkulka Production Contract

On December 23, 2009, the Company and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan signed the Akkulka Production Contract giving the Company 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 USD3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To December 31, 2015, the Company had reimbursed the Kazakh State USD624,000 in respect of the Akkulka Field.

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, USD80,666 is due in quarterly instalments until the remaining historical costs of USD3,177,506 have been paid in full.

This contract expired on November 11, 2015 and on December 29, 2015 the Company announced it had been granted an extension subject to approval of an appraisal extension project and work programme and subsequent registration of a suitable addition to the contract

Tajikistan

The Company has an effective 28.33% interest (33.33% interest via its 85% owned subsidiary) in Bokhtar Operating Company BV with partners Total and CNPC each having a 33.33% interest.

Under the terms of the farm-out agreement entered into on June 18, 2013 with Total and CNPC the Company was only required to contribute 11.11% or USD9 million of the first USD80 million of the initial work programme. As at December 31, 2015, the joint venture partners had contributed USD90.0 million to the Bokhtar Operating Company of which the Company's share was USD12.2 million. At December 31, 2015, Bokhtar had contractual commitments not yet incurred or accrued relating to seismic acquisition of which Tethys share is 33.33%. The Company has not been provided with this information by the joint operating company as a result of being in default of cash calls in the amount of USD5.8 million.

The Company has been notified by one of its joint venture partners that it does not believe taxes are due to the Tajikistan authorities on the farm-out consideration paid to the Company in 2013, however, should it be required to pay such taxes which could amount to USD3.2m it will pursue indemnification from the Company pursuant to the farm-out agreement.

(tabular amounts in thousands of US dollars, except where noted)

Georgia

The Company has a 49% interest in three blocks in Eastern Georgia and is responsible for funding its percentage interest share in the work programmes.

During 2015 the Joint Venture completely redefined the work obligations and cost of exploration. The forward work programme has also been reduced and deferred on all 3 blocks: XIA, XIN and XIM. For 2015 this involved ground based gravity work which was completed in Q3 at a net cost to Tethys in 2015 (inclusive of G&A costs) of USD0.6m, focussed 2D seismic acquisition in 2016 at a cost to Tethys of USD0.9m after which the Joint Venture will make an informed decision in 2017 whether to drill or cease further activity with contingent drilling of any wells in 2018. These changes have been ratified by all levels of government and final Government (Cabinet) approval was received in early October.

Uzbekistan

Following the Company's withdrawal from Uzbekistan in December 2013 the tax authorities claimed additional taxes payable from the Company amounting to USD2.1 million. The Company believes the claim is without foundation or merit and have disputed it. Also following withdrawal from the country, the Company was unable to recover payment for oil previously delivered to the Fergana refinery with an estimated value of USD1.6 million and this could potentially be used to settle any claim which is finally determined.

29 Operating leases

Leases as a lessee:

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

	2015	**2014**
Less than 1 year	611	1,086
1 – 3 years	722	1,012
Greater than 3 years	75	366

2015 expenditure on lease commitments included in the consolidated statement of comprehensive income amounted to USD1,060,000 (2014: USD1,409,000).

30 Subsequent events

Olisol financing

On January 22, 2016, the Company announced that no further funds had been received by the Company from Olisol since receipt of the USD5,138,918 in late November which was used to repay the USD5 million term loan from Nostrum Oil & Gas PLC and due to transaction completion delays, the Board was obligated to consider alternative funding and investment options for the Company, alongside continued discussions with Olisol.

On February 8, 2016, the Company announced that it had received a further USD1 million from OPL on January 28, 2016. In a new development, Olisol had also informed the Company that due to the difficult business and banking environment in Kazakhstan they would like to renegotiate some of the key terms of the transactions envisaged in the letter of intent which would include changes to the facility agreement and the investment agreement which the Company announced entering into on December 8, 2015.

On March 2, 2016 the Company announced it had signed a legally binding amendment to the USD15 million convertible debt facility entered into on November 19, 2015 with Olisol the key terms of which are as follows:

- Olisol to convert approximately USD6.25 million of the interim facility into ordinary shares at a price of USDD0.10 per share;
- Olisol will work with a bank in Kazakhstan to secure a loan for TethysAralGas LLP, in the amount of USD10 million within 60 days which together with the conversion would satisfy the outstanding obligations of Olisol under the Interim Facility;
- Olisol to provide additional working capital reasonably required by Tethys, until completion of a placement under an amended investment agreement;
- Olisol committed to purchasing 181,240,793 new shares at a price to be agreed by Tethys and Olisol. This purchase, together with the conversion of the amounts outstanding under the interim facility would result in Olisol owning approximately 42% of the Company's shares;
- Upon successful first draw down of the Kazakh loan and conversion of the circa USD6.25 million under the interim facility into equity, the Board will be reconstituted and comprise the following five directors:
    - Adeola Ogunsemi, non-executive director and Chairman of the Audit Committee;
    - Williams Paul Wells, non-executive director;
    - Alexander Abramov, non-executive director;
    - One additional non-executive independent director designated by Olisol; and
    - The one remaining Board seat to be filled by a candidate who satisfies the legal and regulatory requirements of the Company and whose appointment is agreed by Tethys and Olisol.

On March 22, 2016 announces that it had received a signed conversion notice from Olisol Petroleum Limited to convert USD6.3 of its outstanding debt into 63,044,460 shares in Tethys at a price of USD0.10.

Pursuant to applicable rules of the Toronto Stock Exchange ("TSX"), Olisol may not become a 10% or more shareholder of the Company until the TSX has approved Personal Information Forms ("PIFs") submitted by Olisol. As such, Olisol had converted USD3.7m of the loan into 37,440,042 shares, which is the maximum amount they are able to convert and remain below a 10% shareholding.

Tethys Petroleum Limited

Management's Discussion and Analysis
for the year ended December 31, 2015

Content

The Tethys Petroleum Limited Annual Report and Accounts for 2015 consists of three documents as detailed below:

1) Management's Discussion & Analysis: this includes the documents required to be disclosed pursuant to National Instrument 51-102 of Canadian Securities Administrators "Continuous Disclosure Obligations" ("Canadian NI 51-102") in respect of an annual Management's Discussion & Analysis and the documents required to be disclosed pursuant to Disclosure and Transparency Rules ("DTR") 4.1 "Annual Financial Report"; and
2) Annual financial information: this includes the Consolidated Financial Statements, the documents required to be disclosed pursuant to Canadian NI 51-102 with respect to an annual financial report and the documents required to be disclosed pursuant to DTR 4.1 and;
3) The Annual Information Form ("AIF"): this includes the documents required to be disclosed pursuant to Canadian NI 51 –102 and DTR 4.1 and the statement which is required to be presented in accordance with DTR 7.2 "Corporate Governance Statements".

The following Management's Discussion and Analysis ("MD&A") is dated March 29, 2016 and should be read in conjunction with the Company's Audited Consolidated Financial Statements and related notes for the year ended December 31, 2015. The accompanying Consolidated Financial Statements of the Company have been prepared by management and approved by the Company's Audit Committee and Board of Directors. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and in accordance with the requirements of the DTR with respect to DTR 4.1 "Annual Financial Report" of the Financial Conduct Authority in the United Kingdom as applicable to annual financial reporting. Amounts are stated in US dollars unless otherwise noted. Additional information relating to the Company 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") is an oil and gas company operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys' principal activity is the exploration and development of crude oil and natural gas fields. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands. The domicile of Tethys is the Cayman Islands where it is incorporated.

Financial highlights

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

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**2013**
Oil and gas revenue – continuing operations[1]	3,606	6,224	(42%)	22,135	27,389	36,945
Loss for the period:						
– continuing operations[1]	(43,593)	(5,034)	(766%)	(74,603)	(15,473)	(10,535)
– discontinued operations[1]	60	(210)	(129%)	(28)	(912)	(7,096)
	(43,533)	(5,244)	730%	(74,631)	(16,385)	(17,631)
Basic and diluted loss (USD) per share						
– continuing operations[1]	(0.13)	(0.02)	550%	(0.22)	(0.05)	(0.03)
– discontinued operations[1]	-	-	0%	-	-	(0.02)
EBITDA - adjusted for share based payments[2]	(4,249)	(3,806)	12%	(10,570)	(12,286)	6,659
Capital expenditure	374	7,752	(95%)	8,293	26,069	23,809

	As at December 31		
	2015	**2014**	**2013**
Total assets	190,595	238,695	234,618
Cash & cash equivalents	3,272	3,112	25,109
Cash & cash equivalents – held in a disposal group[3]	-	757	622
Short & long term borrowings	(32,032)	(10,628)	(4,965)
Short & long term borrowings – held in a disposal group[3]	-	(4,871)	(8.947)
Total non-current liabilities	(34,644)	(5,489)	-
Total non-current liabilities – held in a disposal group[3]	-	(7,937)	-
Net debt[4]	28,760	11,630	(11,819)
Number of common shares outstanding[5]	336,960,387	336,452,667	299,557,744

Note 1 At the end of 2013 the Company made a decision to exit Uzbekistan (refer to page 19) and thus the results of the Uzbekistan segment were disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia

Note 2 EBITDA is a non-GAAP measure, refer to page 29 for details

Note 3 All assets and liabilities of the Kazakh segment were designated as "Assets and Liabilities of a disposal group held for sale" due to the conditional sale of 50% (plus one share) to SinoHan. On May 1, 2015, the Company announced that the sale would no longer be taking place, whereupon the assets and liabilities of the Kazakh segment reverted back to their original positions on the Statement of Financial Position. For further information – refer to note 19 of the Consolidated Financial Statements

Note 4 Net debt is a non-GAAP Measure, refer to page 29 for further details

Note 5 Includes 507,720 shares issued in connection with the Executive Chairman's remuneration package whereby 30% of base salary is paid in shares at a price of 16.84 pence per share calculated by reference to the 15 days weighted average closing rate prior to the date of his employment (November 26, 2014).

Financial highlights - continued

Fourth quarter 2015 versus fourth quarter 2014

- Administrative expenses reduced by 42% to USD1.9m from USD3.3m;
- Headcount has been reduced by 24% since Q4 2014 contributing to a staff costs reduction of 49% to USD0.9m from USD1.7m;
- Office costs reduced by 45% to USD0.2m from USD0.4m;
- Travel costs reduced by 48% to USD0.2m from USD0.3m;
- Production expenses reduced by 53% to USD1.7m from USD3.5m;
- Gas revenue increased by 41% due to production and price increases, however the increase was more than offset by a decrease in oil revenue as a result of lower production and price;
- Gas and oil revenues are priced in local Kazakh currency, the Tenge, and so were negatively affected by the 46% devaluation in the Tenge as well as the decline in world prices;
- The loss for the quarter of USD43.5m (2014: USD5.2m) was mainly due to a USD25.9m impairment of the Tajikistan asset reflecting the difficult economic market for frontier territory exploration assets and the devaluation of the Kazakhstan Tenge in Q4 2015 resulted in a deferred tax charge of USD10.2m. The aforementioned are non-cash items;
- EBITDA - adjusted for share based payments (non-GAAP measure) of negative USD4.2m (2014: negative USD3.8m) was impacted by the reduction in oil revenues, as a result of significantly lower production and prices and a provision made against the loan to the AOT joint venture which together more than offset the reductions in production costs and administrative expenses following management's cost reduction initiatives;
- Capital expenditure was lower due to lack of funding to develop the Company's assets with expenditure in the prior period relating to new gas wells and gas dehydration equipment.

Twelve months 2015 versus twelve months in 2014

- Administrative and business development expenses reduced by 51% to USD9.5m from USD19.5m;
- Headcount has been reduced by 24% since Q4 2014 contributing to a staff costs reduction of 50% to USD4.5m from USD8.9m;
- Office costs reduced by 53% to USD0.9m from USD2.0m;
- Travel costs reduced by 64% to USD0.8m from USD2.3m;
- Production expenses reduced by 24% to USD10.2m from USD13.5m;
- Gas revenue increased by 98% to USD16.2m from USD8.2m following completion of a shallow gas development programme in late 2014 and significantly improved pricing from January 2015, however the increase was more than offset by a reduction in oil revenue to USD5.9m from USD18.9m due to lower production and a more than halving of realised prices;
- The loss for the year of USD74.6m (2014: USD16.4m) was due to increased Depreciation, Depletion and Amortisation (DD&A) which was USD27.5m higher than the prior year. The Kazakh oil and assets were not depreciated in the prior period whilst held for sale to SinoHan. Due to the inability to fulfil the conditions precedent to this legacy transaction by the extended May 1, 2015 longstop date a catch up DD&A charge for 26 months was required to be made in the current year. In addition, the Tajikistan asset was impaired by USD25.9m reflecting the difficult economic market for frontier territory exploration assets and the devaluation of the Kazakhstan Tenge in Q4 2015 resulted in a deferred tax charge of USD6.4m. All of the aforementioned are non-cash items;
- EBITDA - adjusted for share based payments (non-GAAP measure) improved to negative USD10.6m from negative USD12.3m, despite significantly lower oil revenues, as a result of higher gas revenues and significantly lower production and administrative expenses following management's cost reduction initiatives.

Operational highlights

	Units	Quarter ended December 31			Year ended December 31		
		2015	**2014**	**Change**	**2015**	**2014**	**Change**
Kazakhstan							
Oil	bopd[1]	1,416	2,273	(38%)	1,568	2,301	(32%)
Gas	boe/d[2]	2,766	1,497	85%	3,076	1,767	74%
Total	boe/d	**4,182**	**3,770**	**11%**	**4,644**	**4,068**	**14%**
Oil							
Net production	Bbls	130,251	209,097	(38%)	572,164	839,888	(32%)
Net revenue	USD'000	1,014	4,371	(77%)	5,898	18,920	(69%)
Production costs	USD'000	997	2,518	(60%)	4,856	9,677	(50%)
Gross margin	USD'000	**17**	**1,853**	**(99%)**	**1,042**	**9,243**	**(89%)**
Gross sales price	USD/bbl	8.98	24.74	(64%)	12.02	26.67	(55%)
Cost	USD/bbl	7.65	12.04	(36%)	8.49	11.52	(26%)
Gross margin	USD/bbl	**1.33**	**12.70**	**(90%)**	**3.53**	**15.15**	**(77%)**
Gas							
Gross production	Mcm[3]	43,237	23,407	85%	190,799	109,563	74%
Revenue net of marketing commission	USD'000	1,945	1,328	46%	12,018	5,904	104%
Production costs	USD'000	842	906	(15%)	3,801	3,432	22%
Gross margin	USD'000	**1,103**	**422**	**95%**	**8,217**	**2,472**	**153%**
Sales price net of marketing commission[4]	USD/Mcm	45.09	53.10	(15%)	60.82	53.10	15%
Cost	USD/Mcm	19.47	38.69	(50%)	19.92	31.38	(37%)
Gross margin	USD/Mcm	**25.62**	**14.41**	**78%**	**40.90**	**21.72**	**88%**

Note 1 Barrels of oil per day

Note 2 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

Note 3 Thousand cubic metres

Note 4 Using a 2015 annual average exchange rate of USD1 = Tenge 224.43 (2014: USD1 = Tenge 181.78)

Operational highlights - continued

Oil

- Current quarter oil production averaged 1,416 bopd compared with 2,273 bopd in Q4 2014, reflecting a natural decline in overall production;
- Oil production cost per barrel in the current quarter reduced to USD7.65 compared with USD12.04 in Q4 2014 despite lower production volume as a result of reductions in staff levels and other operating cost reduction initiatives;
- Oil prices averaged USD8.98 in the quarter compared with USD24.74 bbl in Q4 2014, a reduction of 64%, reflecting the fall in World oil price and the devaluation of the Kazakhstan currency, the Tenge.

Gas

- Gas production more than doubled as of January 1, 2015 as a result of a shallow gas development programme completed in 2014 and for the quarter was up 85% on Q4 2014 at 2,766 boe/d;
- Gas production costs reduced in the quarter, notwithstanding the increase in production, and the cost per Mcm in the quarter at USD19.47 was 50% lower than in Q4 2014 as a result of economies of scale associated with greater production volume and cost reduction initiatives;
- An increase in gas price in local currency of over 40 percent was obtained for 2015, however, this was negatively affected in USD terms due to the Tenge devaluation and translates to an increase for the year to USD60.82 per Mcm from USD53.10 per Mcm in 2014, net of marketing commission.

Operational Review

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to *Forward Looking Statements* on page 33 of this MD&A.

The Company's objective is to become the leading Independent E&P Company in Central Asia, by generating cash flow from existing discoveries and by maturing large exploration prospects within our highly-attractive frontier acreage. The Company produces both oil and natural gas, in order to balance its product portfolio, and currently has assets in three separate jurisdictions in Central Asia and the Caspian Region, though the Board is looking to farm down or sell the Tajikistan and Georgian assets to focus on the assets in Kazakhstan. The Company was served with a withdrawal notice from its partners in Tajikistan during the period details of which are given on page 10.

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

- Be recognized as an ethically-responsible, transparent company, delivering safe, reliable, operations through a culture of safety and performance related delivery;
- focus on cost structures and capital efficiency and actively manage our portfolio by farming down / reducing our capital commitments whilst retaining material investment;
- complete the transactions announced with Olisol to bring much needed funding into the Company and provide it with a strong in-country partner in Kazakhstan;
- continue to evaluate farm-out opportunities with respect to Tajikistan and Georgia;
- continue to review and implement further cost reductions across the business;
- maintain and increase shallow gas production with the objective to supply gas to China through the newly built pipeline once operational, once additional funding is secured; and
- explore prospects with 'company making' potential such as the Klymene exploration well in Kazakhstan, subject to securing additional funding within existing acreage.

Significant events and transactions for the year

- *Kazakhstan - Akkulka Exploration Contract Extension*

  On January 6, 2015, the Company announced that its wholly owned Kazakh subsidiary, TethysAralGas LLP, had received permission from the Ministry of Energy of the Republic of Kazakhstan to extend the Akkulka Exploration Contract for another four years, from March 10, 2015 to March 10, 2019. This is the first time the Company has received a four-year extension as previous extensions have been for two-year periods.

  The Ministry of Energy has provided this extension to allow the Company to fully assess the acreage. In addition, the current oil production from the "Doris" oil field is produced under this contract and this extension allows for this to continue for the four-year period provided the Pilot Production Project is updated periodically.

- *Corporate - New loan financing*

  On January 16, 2015, the Company announced that it had secured a new USD6.0 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

  In connection with the loan financing, the Company issued the lender with 35,600,000 warrants over the Company's shares with a price of CAD0.19. The loan financing also provided that if the Company completed the issuance of any additional new ordinary shares (or options, warrants or other securities convertible into ordinary shares) equal to 7.5% or more of the cumulative aggregate number of outstanding shares, the lender would have the option of surrendering the warrant for a "surrender value" which would be added to the principal amount of the loan and be repayable on the 2 year maturity date. The initial surrender value was set at USD2.1 million and had been due to decrease by 25% every 6 months over the term of the loan.

  On July 14, 2015, the lender exercised its option to surrender the warrants as a result of the entry into by the Company of convertible loan agreements with AGR Energy Limited Number I ("AGR Energy") and Annuity and Life Reassurance Limited ("ALR"), a company controlled by Pope Asset Management, LLC ("PAM"), which currently controls the voting rights over approximately 19% of the shares in Tethys. As a consequence of the exercise of this option by the lender, the surrender value of USD2.1 million was added to the principal loan amount and the warrants were cancelled. The total amount of principal now due under the loan agreement is USD8.1 million. The loan agreement contains event of default and change of control provisions.

  To facilitate the transactions with Olisol described below the interest rate on the loan was increased to 10.5% from March 1, 2016, payable quarterly from April 30, 2016 with early repayment of up to USD5m of the principal balance following receipt of proceeds from the Olisol transactions described below.

- *Unsecured loan facility from ALR*

  On March 10, 2015, the Company announced it had entered into a USD3.5 million loan agreement with ALR. The principal of the loan is due to be repaid at the end of 2 years with interest payments at the rate of 8% per annum payable every 6 months. The loan agreement contains events of default and change of control provisions. The loan has been fully drawn down by the Company. In connection with the loan financing, the Company has issued the lender with 23,333,333 warrants over the Company's shares with a price of CAD0.19. These remain outstanding.

- *Georgia – Reduction in interests*

  On January 22, 2015, the Company announced that it had reached agreement, subject to finalising documentation with its partner, Georgia Oil and Gas Limited ("GOG"), to remove its current funding obligations of approximately USD4 million under the farm-out agreement signed in July 2013, through reducing its interest in these projects. Under the terms of the new agreement, Tethys reduced its interest in licence Blocks XIA, XIM and XIN to 49% (from 56%) as of January 30, 2015 and Norio Operating Company, a subsidiary of GOG, became Operator of each of those Blocks from February 1, 2015. Following this, in 2015 the Joint Venture negotiated a restructuring of a the minimum work programmes for all 3 blocks, in particular, altering the work programme in XIN so that the remaining outstanding obligation is the acquisition of 50 kms of 2D seismic.

In connection with this restructuring of the farm-in deal, Tethys agreed with GOG that if the State of Georgia imposed a USD1.0 million penalty for non-fulfillment of minimum work commitments on Block XIN, pursuant to the PSC, and Tethys was in default of the fulfilling its minimum commitments, then Tethys would pay the penalty and indemnify GOG in respect of the penalty. Additionally, pursuant to the agreement between contractor parties, Tethys and GOG, the defaulting party will pay the non-defaulting party an additional amount of USD1.0m. If the defaulting party is Tethys, then the USD1.0m penalty, payable to GOG, will be in the form of issued shares, if practicable.

- *Kazakhstan - Kyzyloi Gas Production Contract 15-year Extension*

  On January 23, 2015, the Company announced that its wholly-owned Kazakh subsidiary, TethysAralGas LLP, had received permission from the Ministry of Energy of the Republic of Kazakhstan to extend the Kyzyloi Gas Production Contract for another 15 years, from June 14, 2014 to December 31, 2029.

  The Ministry of Energy granted this contract extension following the Kazakh State Reserves Committee's approval of the new State Reserves for Kyzyloi previously announced in May 2014. The Kyzyloi contract area has been increased by 56 percent to 449 km^2 (110,950 acres) and now encompasses a larger gas bearing area including the AKK05 well (successfully worked over in Q2 2015) and also the successful, but currently suspended, AKK08 & AKK10 gas wells.

- *Memorandum of Understanding signed with PetroChina*

  On March 2, 2015, the Company announced it had signed a Memorandum of Understanding with PetroChina International Kazakhstan Ltd to collaborate in selling gas and crude oil to the Peoples Republic of China.

- *SinoHan Transaction*

  On May 1, 2015, the Company announced that the main approval required from the Ministry of Energy of the Republic of Kazakhstan in relation to the sale of 50% of its Kazakhstan oil and gas assets to SinoHan Oil & Gas Investment Number 6 B.V. ("SinoHan"), part of HanHong, a Beijing, PRC, based private equity fund, for USD75 million, was not received by the longstop date of May 1, 2015 and that SinoHan had confirmed that it did not wish to enter into a further extension on the transaction.

  As a result, the sale did not proceed and the Company therefore retained 100% of its Kazakhstan oil and gas assets. During the period the Company repaid the USD3.9 million deposit provided by SinoHan as a loan and successfully negotiated a reduced payment of USD0.65 million for transaction fees.

- *Unsecured convertible loan facility from AGR Energy*

  On May 15, 2015, the Company announced that it had signed and closed a binding agreement for a USD7.5 million convertible loan facility with AGR Energy. The loan is unsecured and bears interest at a rate of 9 percent per annum. Interest is payable twice a year on June 30 and December 31 whereas the principal is repayable on June 30, 2017 (the maturity date). The principal and accrued interest, subject to certain conditions, may be converted into ordinary shares in the Company at the option of the lender, in whole or in part, at any time up to the maturity date at a conversion price of USD0.10 per share.

- *Unsecured convertible loan facility from ALR*

  On May 22, 2015, the Company announced that it had signed a binding agreement for a further USD1.76 million convertible loan facility, this time with ALR. The loan was drawn down in full on June 1, 2015. The loan is unsecured and bears interest at a rate of 9 percent per annum. Interest is payable twice a year on June 30 and December 31 whereas the principal is repayable on June 30, 2017 (the maturity date). The principal and accrued interest, subject to certain conditions, may be converted into ordinary shares in the Company at the option of the lender, in whole or in part, at any time up to the maturity date at a conversion price of USD0.10 per share.

- *Strategic collaboration with AGR Energy*

  On July 1, 2015, the Company announced that it had signed an agreement for a USD47.7 million private placement of up to 318,003,951 new ordinary shares (the “AGR Placing”) at a price of CAD0.192 per ordinary share with AGR Energy Holdings Limited (“AGR Energy Holdings”), a subsidiary of AGR Energy.

  On August 10, 2015, the Company announced that ARG Placing would not be proceeding following AGR Energy indicating to the Company that it would require significant changes to the structure and terms of the financing announced on July 1, 2015.

- *USD5 million loan financing and possible offer from Nostrum*

  On July 13, 2015 the Company acknowledged the announcement made that day by Nostrum Oil & Gas PLC (“Nostrum”) in respect of its approach to the Board of Tethys regarding a possible offer for the entire issued and to be issued share capital of the Company, which provided for a potential price of CAD0.2185 per Tethys share.

  On August 10, 2015, the Company announced that it had received a further non-binding indicative proposal from Nostrum regarding a possible offer for the entire issued and to be issued share capital of the Company (the “Possible Offer”). The Possible Offer provided for a price of CAD0.2185 per Tethys share, which would be satisfied in cash or, at the election of each eligible shareholder of Tethys, fully paid ordinary shares in Nostrum, or a combination of both cash and shares. This price represented a premium of 15% to the price at which AGR Energy Holdings had agreed to subscribe for new ordinary shares in Tethys pursuant to the AGR Placing and a premium of 56% to the closing market price of an ordinary share of Tethys on the TSX of CAD0.14 on Friday August 7, 2015.

  Following receipt of the Possible Offer, the Company entered into discussions with Nostrum. Any decision by the Board of Nostrum to make a formal offer was conditional on, amongst other things (i) satisfactory completion by Nostrum of confirmatory due diligence and (ii) the Board of Tethys, having been so advised by its financial adviser, agreeing unanimously to recommend the formal offer to shareholders of Tethys.

In connection with the Possible Offer, Nostrum and Tethys entered into an unsecured USD5 million loan facility to support the short term liquidity of Tethys during the implementation period of any formal offer. The loan was available immediately to the Company and was drawn in full on August 10, 2015. The loan would be repayable on February 28, 2016 or, in the event that Nostrum did not announce an intention to make a formal offer within two business days of the conclusion of its confirmatory due diligence, on August 31, 2016. Interest was payable on the loan at a rate of 9% per annum on the maturity date of the loan. Pursuant to the terms of the loan, the Company was subject to certain negative covenants and events of default and change of control provisions. In consideration for Nostrum agreeing to advance the loan, the Company agreed to grant Nostrum a limited period of exclusivity to undertake its confirmatory due diligence in connection with the Possible Offer and any potential resulting formal offer.

On August 28, 2015 the Company received a revised non-binding and highly conditional proposal from Nostrum setting out revised terms on which Nostrum was prepared to make an offer to acquire the Company and to provide further financing to Tethys. On September 23, 2015 the Company and Nostrum entered into a non-binding letter of intent and period of exclusivity until October 6, 2015 in connection with a proposed of CAD0.147 per share and an interim financing facility of up to USD20 million to fund the Company's cash requirements until completion of any formal offer.

- *Announcement from Olisol Investment Group*

  On October 5, 2015 the Company acknowledged the public announcement by Olisol Investment Group on October 2, 2015 regarding a non-binding proposal submitted to the Company.

- *Receipt of Letter of Intent from AGR Energy*

  On October 7, 2015 the Company announced that it had received a non-binding letter of intent from AGR Energy Holdings in connection with a potential USD20 million equity fundraising at a price of CAD0.165 per share and potential USD5 million loan to support short-term liquidity. In addition to the equity fundraising AGR Energy Holdings would also be granted an option by the Company to subscribe for further newly issued shares for up to USD20 million of shares at the same subscription price.

- *Withdrawal of Proposed Offer by Nostrum*

  On October 7, 2015 the Company announced that Nostrum had withdrawn its proposed offer that was previously announced on September 23, 2015 to acquire the entire issued share capital of Tethys together with a proposed USD20 million interim funding transaction and that whilst the transaction had the unanimous support of the Tethys Board and Tethys and Nostrum had worked together to negotiate legally binding agreements implementing the proposed transaction during the exclusivity period Tethys' largest shareholder, Pope Asset Management, had informed Nostrum that it did not support the proposed transaction and therefore Nostrum informed the Company that the proposed transaction would not proceed.

- *Tajikistan Update*

  On October 12, 2015 the Company announced that it had received a notice to withdraw from the Joint Operating Agreement and Shareholders Agreement dated June 18, 2013 relating to the

Bokhtar PSC in Tajikistan (the "BOC JOA") and the underlying PSC (the "BOC PSC") from CNPC Central Asia B.V. ("CNPC") and Total E&P Tajikistan B.V. ("Total").

The notice of withdrawal was served on the basis that Tethys has not made the payment on October 9, 2015 for the September Cash Call (approximately USD1.28 Million) issued by the Bokhtar Operating Company. Tethys has also not made payment for subsequent cash calls totaling USD5.77million at December 31, 2015. Pursuant to the notice of withdrawal, Total and CNPC state that they jointly require Tethys' subsidiary, Kulob Petroleum Limited (“KPL”) to completely withdraw from the BOC JOA and assign all of its participating interests derived from the BOC PSC and the BOC JOA to Total and CNPC in proportion to their respective participating interests.

Tethys is considering its position under the BOC JOA, the BOC PSC and under applicable laws and equity and, as stated in its announcement on October 9, 2015, Tethys will use all commercially reasonable efforts to protect its interest in the Bokhtar PSC in Tajikistan.

- *Nostrum Loan Update*

On October 14, 2015 the Company announced that it had received a Notice of Events of Default from Nostrum in connection with the USD5 million Facility Agreement between Tethys and Nostrum, dated August 10, 2015. Tethys disagreed with Nostrum's interpretation of the Facility Agreement that an event of default occurred and submitted a rebuttal of the notification received and reserved all its rights.

Nostrum has indicated that its interpretation was due to the announcement on October 12, 2015 that Tethys had received a notice from CNPC and Total requiring that Tethys' subsidiary, KPL withdraw from the BOC JOA in Tajikistan and the underlying BOC PSC. The loan from Nostrum has since been repaid, see below.

- *Letter of Intent Signed with Olisol Investments Limited*

On November 9, 2015 the Company entered into a non-binding and indicative letter of intent with Olisol Investments Limited (“Olisol”) setting out proposed terms upon which Olisol Petroleum Limited (“OPL”), a wholly-owned subsidiary of OIL, will provide Tethys with a USD15 million interim debt facility, subscribe to a CAD25.5 million private placement of 150 million new ordinary shares at a price of CAD0.17 per ordinary share and commit to backstop a further equity fundraising of 50 million shares at CAD0.17 per share. The Company agreed to grant OPL a limited period of exclusivity November 22, 2015 in connection with the transaction.

- *AGR Energy Loan Update*

On November 25, 2015 the Company announced that it had received an Accelerated Repayment Notice from AGR Energy in relation to the unsecured convertible debenture issued by Tethys to AGR Energy on 15 May 2015 notifying the Company of events of default and demanding repayment of the principal amount of USD7,500,000 and accrued interest of USD443,984.

- *Continued devaluation of the Tenge*

  On August 19, 2015 The National Bank of Kazakhstan ("Central Bank") allowed the Kazakh Tenge ("KZT") to marginally devalue following recent devaluations by Russia and China. Prior to August 20, 2015 the Central Bank had allowed the KZT to trade within a range to which the Central Bank managed using its reserves. On August 20, 2015 the Central Bank removed this support and allowed the KZT to trade freely by floating the KZT. Following the new policy, the KZT/USD declined by 26.2% to 255.26 KZT/USD the same day and continued to decline towards the end of Q3. The Central Bank resumed intervention by supporting the KZT on September 16, 2015 as the KZT declined to 300 KZT/USD. On November 5, 2015 the Central Bank stopped intervention and allowed the KZT to decline further to 339.47 KZT/USD as of December 31, 2015.

- *USD15 Million Interim Financing Facility entered into with Olisol Petroleum Limited*

  On November 19, 2015 the Company announced that further to the letter of intent announced on November 9, 2015, the Company had entered into an interim convertible financing facility of up to USD15 million with OPL convertible into Tethys ordinary shares at CAD0.17 per share.

  OPL agreed to advance to Tethys up to USD15 million to be used to repay the USD5 million term loan from Nostrum and potentially the USD7.5 million convertible debenture from AGR Energy with the balance used for general and working capital requirements of the Company.

  A condition to the first draw down under the Interim Financing Facility was that Mr. Alexander Abramov, a designee of Olisol, and Mr. William Wells, PAM, be appointed to the Board of Directors of Tethys.

  The USD15 million was the first step in the potential broader transaction provided for under the letter of intent, where OPL would subscribe to a CAD25.5 million private placement of 150 million new ordinary shares at a price of CAD0.17 per ordinary share and commit to backstop a further equity fundraising of 50 million shares at CAD0.17 per share.

  The Company drew down USD7.1 million under the Interim Facility and OPL converted USD6.3m of the amount drawn down into 63,044,410 ordinary shares on March 21, 2016 at a price of USD0.10 per share in accordance with the terms of the Facility Agreement Amendment described below.

- *Update on USD7.5 Million Convertible Debenture with AGR Energy*

  On November 25, 2015 the Company announced that it had received an Accelerated Repayment Notice from AGR Energy in relation to the unsecured convertible debenture issued by Tethys to AGR Energy on 15 May 2015 notifying the Company of events of default and demanding repayment of the principal amount of USD7,500,000 and accrued interest of USD443,984. The Company does not agree with AGR Energy that an event of default has occurred or that the debenture has become repayable.

- *Binding CAD25.5 Million Private Placement signed with Olisol Investments Limited*

  On December 8, 2015 the Company announced that it had entered into a binding investment agreement with Olisol setting out the terms and conditions upon which OPL had agreed to purchase 150 million new ordinary shares in Tethys at a price of CAD0.17 per share, for total proceeds of CAD25.5 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million Shares at CAD0.17 per Share.

On closing of the placing, the outstanding principal and accrued but unpaid interest under the USD15 million convertible facility entered into with Olisol on November 19, 2015, would be automatically converted into shares at a conversion price of CAD0.17 per share. Following the placing and conversion of the interim facility, assuming it is fully drawn, OPL would own approximately 44% of the outstanding shares in the Company.

On February 22, 2016 the Company announced that it has entered into an amended LOI pursuant to which the Company and OPL agreed to negotiate amendments to the investment agreement as further described below.

- *Kul-Bas Contract Extended 2 Years/Corporate Update*

On December 29, 2015 the Company announced that it had been granted a 2-year extension to the Kul-Bas Exploration and Production Contract in Kazakhstan which includes the Klymene exploration prospect.

The Company also announced that it had submitted draw down notices for the entire USD15 million loan amount to OPL on November 21, 2015 but to date had only received USD5,138,918. In addition, OPL had not yet provided certain supporting information in relation to its USD51 million credit facility from a leading Kazakh bank which was a condition to the parties continuing with the transaction.

Significant events and transactions subsequent to the year end

- *Olisol Updates*

  On January 22, 2016, the Company announced that no further funds had been received by the Company from Olisol since receipt of the USD5,138,918 in late November which was used to repay the USD5 million term loan from Nostrum and due to transaction completion delays, the Board was obligated to consider alternative funding and investment options for the Company, alongside continued discussions with Olisol.

  On February 8, 2016, the Company announced that it had received a further USD1 million from OPL on January 28, 2016. In a new development, Olisol had also informed the Company that due to the difficult business and banking environment in Kazakhstan they would like to renegotiate some of the key terms of the transactions envisaged in the letter of intent which would include changes to the facility agreement and the investment agreement which the Company announced entering into on December 8, 2015.

  On February 22, 2016 the Company announced that it had received an additional USD1 million under the Interim Facility and that it had entered into a non-binding and indicative term sheet (the "Term Sheet") with Olisol and OPL, setting out amended terms to the LOI entered into on November 9, 2015 ("Amended LOI") and consequently changes to the transaction documentation between the companies.

  On March 2, 2016 the Company announced it had signed a legally binding amendment to the USD15 million convertible debt facility entered into on November 19, 2015 with Olisol the key terms of which are as follows:

  - Olisol to convert all but USD1 million of the outstanding amount of principal and accrued interest under the Interim Facility approximately USD6.25 million) into ordinary shares at USD0.10 per share ("Interim Facility Conversion"). The conversion will take place as soon as necessary approvals are obtained from the TSX, which will likely include the provision of Personal Information Forms ("PIFs") submitted on, or on behalf of, Olisol.
  - Olisol to work with a bank in Kazakhstan acceptable to Tethys to secure a loan for TethysAralGas, in the amount of USD10 million, within 60 days. The loan, together with the Interim Facility Conversion, would satisfy the outstanding obligations of Olisol under the Interim Facility. Olisol has agreed to pay any ordinary interest cost on the loan exceeding 11%.
  - Olisol legally committed to provide additional working capital reasonably required by Tethys, if necessary, to ensure the Company is able to continue to operate until completion of a placement under an amended Investment Agreement. Any amounts provided by Olisol will convert to ordinary shares on completion of the placement under the amended Investment Agreement.
  - Olisol committed to purchasing 181,240,793 new shares at a price to be agreed by Tethys and Olisol (acting reasonably). This purchase will be subject to TSX approval, and would replace the previously announced placing of 150,000,000 shares and the backstopped further offering of 50,000,000 shares under the Investment Agreement announced by the Company on December 8, 2015. Furthermore, the 20 largest shareholders will be offered a right to acquire additional shares to maintain their pro-rata stake following this placing.

On March 22, 2016 announces that it had received a signed conversion notice from OPL to convert USD6.3million of its outstanding debt into 63,044,460 shares in Tethys at a price of USD0.10 per share.

Pursuant to applicable rules of the Toronto Stock Exchange ("TSX"), Olisol may not become a 10% or more shareholder of the Company until the TSX has approved PIFS submitted by Olisol. As such, Olisol had converted USD3.7m of the loan into 37,440,042 shares, which is the maximum amount they are able to convert and remain below a 10% shareholding.

- *Director changes*

On March 14, 2015 the Company announced that in connection with the transactions with Olisol, John Bell had moved from Executive Chairman to co-Non-Executive Chairman along with Mr. Alexander Abramov, who also became co-Non-Executive Chairman.

In addition the Company announced that it had set the Annual General Meeting ("AGM") date for May 31, 2016. John Bell, David Henderson, David Roberts and Jim Rawls have all informed the Company that they will not stand for re-election at the AGM.

- *Gas Contract*

On March 24, 2016 the Company entered into a 2016 Gas Supply Contract, effective from January 1, 2016 through to December 31, 2016 between with Inter Gas Central Asia for the supply of 150 million cubic meters of gas, at a gross price of KZT28,000/Mcm (USD81.16/Mcm (USD2.30/Mcf) at the exchange rate of KZT345 = USD1), effective from January 1, 2016 through to December 31, 2016. A marketing agent contract has not yet been finalised, however it is expected that marketing agent and distribution costs in relation to the 2016 Gas Supply Contract will be similar to the 2015 Gas Supply Contract.

Reserves

Following the completion of the annual evaluation of the Kazakhstan reserves by an independent qualified reserves evaluator, Gustavson Associates Limited (“Gustavson”), of Colorado, USA, in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators ("NI 51-101"), the Company announced Total Gross (i.e. before the application of Kazakh Mineral Extraction Tax) Oil and Gas Reserves consisting of “Proved” 1P reserves of 13.18 million BOE (2014: 16.62 million BOE) and “Proved and Probable” 2P reserves of 23.77 million BOE (2014: 27.08 million BOE).

The NPV10 value after tax of the Company’s 2P Kazakh reserves as at December 31, 2015 was USD183.6million (2014: USD185.9 million).

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

The Company’s 2015 Annual Information Form includes more detailed disclosure and reports relating to petroleum and natural gas activities for 2015. Both oil and gas reserves are based on availability of sufficient funding to allow development of the known accumulations.

Operational Review - continued

Results of Operations and Operational Review - Kazakhstan

Oil production – Akkulka Contract

	2015					2014				
	Gross fluid		Net barrels	Net production		Gross fluid		Net barrels	Net production	
	m3	barrels		days	bopd	m3	barrels		days	bopd
Q1	19,666	123,683	107,529	90	1,195	42,503	267,334	180,801	90	2,009
Q2	31,745	199,681	177,785	91	1,954	53,005	333,390	225,024	91	2,473
Q3	31,159	195,986	156,599	92	1,702	58,926	370,635	224,966	92	2,445
Q4	26,620	167,434	130,251	92	1,416	50,726	319,021	209,097	92	2,273
Total	**109,190**	**686,784**	**572,164**	**365**	**1,568**	**205,160**	**1,290,380**	**839,888**	**365**	**2,301**

The Company produces oil from three wells under a pilot production license: AKD01, AKD05 and AKD06. AKD01 and AKD05 have been performing basically to expectation although AKD06 was off all year due to the lower oil price received and the increased OPEX of a high water-cut well. AKD05 was off until summer 2015 because of the spring breakup restricting transshipment and trucking and higher water cuts of AKD05 but was put back on production in August 2015 until November 2015, which involved bringing staff back from unpaid leave. Moderate capacity progressive cavity pumps have been installed as planned on AKD05 and on AKD06 and it is expected that at some time in the future the AKD01 well will also require a large volume pump; a large volume Electrical Submersible Pump ("ESP") has been scoped but not yet purchased.

Oil operations update

General

Oil production is currently at 540 barrels per day from AKD01 only, this is on a restricted 8mm choke with a Flowing Tubing Head Pressure of 316 psia and a 30% water-cut due to current spring break-up conditions limiting oil trucking but is expected to go to back to a larger 12-15mm choke in Q2 2016 and realise rates in excess of 1,200 bopd. AKD05 is currently offline since November 2015 but is expected on later in the year and possibly AKD06. The current oil price is the equivalent of USD7.55 per barrel following the significant devaluation of the Kazakhstan currency, the Tenge, in August 2015, however it should be noted that operating costs in USD terms have also reduced.

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 1,000 m^3 storage tanks (12,500 bbls) and associated pumping equipment. Whilst current levels of oil production have meant AOT throughput has been lower than is optimal for the terminal to generate an acceptable rate of return the AOT joint venture has continued to operate since 2013 without recourse to additional loan funding from the JV partners. Repayments on an external loan have been rescheduled with the agreement of the lender.

Operational Review - continued

Gas production – Kyzyloi and Akkulka Contracts

	2015				2014			
	Mcm[1]	**Mcf[2]**	**Mcm/d[3]**	**Boe/d[4]**	**Mcm[1]**	**Mcf[2]**	**Mcm/d[3]**	**Boe/d[4]**
Kyzyloi								
Q1	9,283	327,835	103	607	23,390	825,901	260	1,530
Q2	10,700	377,817	118	692	22,780	804,362	250	1,473
Q3	15,836	559,104	172	1,013	19,925	703,552	217	1,275
Q4	17,668	623,862	192	1,130	17,834	629,719	194	1,141
Total	**53,487**	**1,888,618**	**147**	**862**	**83,929**	**2,963,534**	**230**	**1,353**
Akkulka								
Q1	39,239	1,385,735	436	2,566	7,430	262,353	83	486
Q2	39,556	1,396,930	435	2,558	5,664	199,996	62	366
Q3	32,948	1,162,991	358	2,108	6,967	246,005	76	446
Q4	25,569	902,828	278	1,636	5,573	196,783	61	358
Total	**137,312**	**4,848,484**	**376**	**2,214**	**25,634**	**905,137**	**70**	**414**
Grand total	**190,799**	**6,737,102**	**523**	**3,077**	**109,563**	**3,868,671**	**300**	**1,767**

Note 1 Thousands of cubic metres

Note 2 Thousands of cubic feet

Note 3 Thousands of cubic metres per day

Note 4 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, 325mm outside diameter ("OD") export pipeline from the Kyzyloi field gathering station to the main Bukhara–Urals gas trunkline, where a compressor station was constructed at 910 km on that trunkline. The gas flows into the main trunkline which is owned by IntergasCentralAsia (ICA), a division of the Kazakh State natural gas company KazTransGas ("KTG");

- Production commenced from the Akkulka field on October 6, 2010;

- Gas production increased by 215 Mcm per day in the current quarter compared with the same quarter in the prior year (470 Mcm per day in Q4 2015 with 255 Mcm per day in Q4 2014) as a result of incremental production from the shallow gas development programme that came on stream on January 1, 2015.

Gas operations update

Shallow Gas Drilling Programme

During the second half of 2014 a new pipeline system was installed in order to tie in the AKK15, 16, 17, 18 and 19 wells for which final State approvals were received in February 2015. In parallel, a dehydration system was installed at the Booster Compressor Station and is performing well and outputting gas sufficient to make not only Kazakh but also export standard. Final State approval and commissioning of this unit was achieved in March 2015.

Currently, the Company produces dry gas from a total of 16 wells at a depth of approximately 480-600m below surface, comprising eight producing wells in the Kyzyloi field and eight in the Akkulka field with combined current production of 396 Mcm per day.

Operational Review - continued

During Q3 2015 Compressor #1 engine was overhauled; in late December 2015 the engine for compressor #2 went offline and needs capital repairs amounting to USD191,000, with a lead time of approximately 20 weeks. It is also still required to overhaul the engine for Compressor #3 and replace compression cylinders on units #1, #2 and #3 when funding allows. If any of the current three working compressors went offline in the interim, then it would have a negative impact on production.

The recently completed Bozoi-Shymkent-China gas pipeline means that, for the first time, Tethys has two potential gas export routes that provide alternatives to sell its gas; the route taking gas to the more populous south eastern part of Kazakhstan and, ultimately to China, and the existing Bukhara Urals trunk line that transports gas from Central Asia into Russia. Currently, the Chinese pipeline is only taking domestic gas within Kazakhstan to Shymkent and it is not known when exports to China will commence. The Company expects to realise a higher net sales price to China should exports commence but it is unknown at this time what the price will be. Recently, gas prices have been seen to fall in China, especially imported LNG prices from the coast, which have been reduced along with world prices. The Company still believes that the long term price for gas will rise in the region, in particular dry gas imported via pipeline from Central Asia and that Chinese demand will increase over the medium to long term, especially with the substitution in China of a greater percentage of energy use from gas instead of coal.

During Q1 2015, the Company signed a Memorandum of Understanding ("MOU") with PetroChina with respect to co-operation in potential future gas sales.

Exploration - update

The KBD02 ("Klymene") prospect is planned to be drilled to a total depth of 2,750 metres targeting a large structure in the south west of the Kul-Bas block, and will target three horizons in the Lower Cretaceous and Upper Jurassic. State approval for the Klymene exploration well drill project and associated emissions are now in place, and commencement of drilling operations is planned upon receipt of funds. The necessary extension to the Kul-Bas Contract for a further two years was received in December 2015. The Klymene prospect has the potential to be an order of magnitude bigger than the Doris oil discovery and surrounding prospects (the geographical area of the prospect is up to ten times the areal extent of the Doris oil field). It appears to have good four-way structural closure and positive amplitude effects which may be indicative of enhanced porosity on the recently acquired and interpreted seismic.

Currently, the Company is progressing through a process of finalising a two year appraisal extension to the Kul-Bas Exploration and Production Contract; this includes the initial preparation, submittal review and State approval of an extension project and minimum work programme before suitable additions to the contract can be made, this process is expected to take up the majority of 2016 to be finalised.

Results of Operations and Operational Review - Uzbekistan

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 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 a period to complete the process of exiting from the Production Enhancement Contract ("PEC") for the North Urtabulak field. During Q2 2014 the Company formally transferred the wells to the State. Remaining field equipment was handed over in May 2015 and the final four members of staff were released. There were some vehicles bought for the project which were transferred to the State in Q3 2015. The Company was not expected to benefit from any production or earn any revenues in 2014-2015 and therefore, 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.

Letters reconfirming Tethys' exit from the North Urtabulak PEC and also non-interest in the Chegara Group of Fields and exploration blocks were sent to the Uzbek authorities in Q1 2016.

Results of Operations and Operational Review - Tajikistan

Since completion of the farm-out to Total and CNPC in 2013, the joint operating company 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 and commenced field acquisition in late October 2014. This new wide line 2D survey is specially designed to image the deep targets described in an independent resource report and consists of a first phase of 826 kms with an option for an additional 200 kms, all to be acquired by the end of 2015. As well as 2D acquisition and processing, a concurrent low cost passive seismic survey was planned and commenced in March whilst a Magnetotellurics survey was also being acquired along the dip lines. Processing of all these data will be concurrent and interpretation and mapping has been underway from Q2 2015. This whole data set was designed to enable the identification of the best possible drilling location to be agreed on at the end of 2015 / early Q1 2016. As at the end of August more than 80% of the 2D seismic had been acquired. However, due to the default situation under the BOC JOA (see page 10 for details) the Company has been unable to receive any of the new data and is unable to comment on the status of the operations and prospectivity potential.

Results of Operations and Operational Review - Georgia

Following completion, in early January 2014, of the acquisition of a 56% interest in the Georgian license areas: Blocks XIA, XIM and XIN, activities performed since the 2013 2D seismic acquisition have focused on the collation, preparation, processing and interpretation of seismic and well data across blocks XIA and XIM with some geochemical and structural geology work having been completed across all three blocks with ground gravity data acquisition in 2015.

During Q2 and early Q3 2015 the operator NOC oversaw ground gravity acquisition on all three blocks and field acquisition was completed in late July 2015 where a total of 187.4 kms2 of XIA phase

III obligation gravity, 197.5 kms2 of XIM phase II obligation and 721.1 kms2 of XIN phase II obligation gravity were completed. In parallel, approvals to the changes in the work programme were passed successfully through several State entities and the final Government ratification was achieved in October 2015 and stipulates the main capital expenditure item to be a minimum of 50km of 2D seismic to be finished and evaluated by July 1, 2017 in XIN, at an estimated net to Tethys cost of $1.1m whilst the potential block non-compliance fine is set as $2m net to Tethys. Currently NOC is evaluating the feasibility of seismic lines for 2016 in conjunction with Tethys staff.

Final drill or drop decision points are June 1, 2017 for XIA and July 1, 2017 for XIM and XIN respectively, with any chosen well drilling needing to be complete 12 months later, in 2018.

Financial Review

Summary of Quarterly Results

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Oil and gas revenue	3,606	5,736	6,838	5,954	6,224	7,261	7,123	6,781
Loss for the period								
– continuing operations	(43,593)	(3,698)	(25,278)	(2,034)	(5,034)	(2,362)	(3,668)	(4,409)
– discontinued operations	60	(11)	(36)	(41)	(210)	(57)	(153)	(492)
Basic & diluted loss ($) per share:								
– continuing operations	(0.13)	(0.01)	(0.08)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
– discontinued operations	-	-	-	-	-	-	-	-
EBITDA – adjusted for share based payments[1]	(4,249)	(637)	(4,425)	(1,259)	(3,806)	(1,134)	(2,509)	(4,837)
Capital expenditure	374	1,938	4,034	1,947	7,752	6,216	4,835	7,266
		-						
Total assets	190,595	225,170	226,024	243,560	238,695	241,059	242,878	232,881
Cash & cash equivalents	3,272	4,286	4,942	5,280	3,112	7,914	11,642	13,698
Cash & cash equivalents – held in a disposal group[2]	-	-	-	1,707	757	2,153	6,036	1,627
Short & long term borrowings	(32,032)	(32,479)	(26,719)	(16,637)	(10,628)	(11,032)	(7,581)	(6,715)
Short & long term borrowings – held in a disposal group[2]	-	-	-	(4,641)	(4,871)	(5,166)	(5,911)	(6,755)
Total non-current liabilities	(34,644)	(24,264)	(23,197)	(11,468)	(5,489)	(5,923)	(6,370)	(5,744)
Total non-current liabilities – held in a disposal group[2]	-	-	-	(814)	(7,937)	(7,412)	(7,691)	(8,019)
Net (debt) / funds[1]	(28,760)	(28,193)	(21,777)	(14,291)	(11,630)	(6,131)	4,186	1,855
Number of common shares outstanding	336,960,387[4]	336,839,315	336,712,385	336,543,145	336,452,667	336,452,667	336,452,667[3]	299,557,744

Note 1 Non-GAAP measure – refer to page 29 for details

Note 2 All assets and liabilities of the Kazakh segment were designated as “Assets and Liabilities of a disposal group held for sale” due to the conditional sale of 50% (plus one share) to SinoHan. On May 1, 2015, the Company announced that the sale would no longer be taking place, hence the assets and liabilities of the Kazakh segment reverted back to their original positions on the Statement of Financial Position at that date. For further information – refer to note 19 of the Consolidated Financial Statements

Note 3 Issue in May and June 2014 of 36,894,923 new ordinary shares which raised gross proceeds of USD15.0 million for the Kazakh shallow gas programme

Note 4 Includes 507,720 shares issued during 2015 in connection with the Executive Chairman’s remuneration package whereby 30% of his salary is paid in shares calculated at a 15 day weighted average closing rate prior to the date of his employment (November 26, 2014) which was 16.84 pence

Loss for the year

The Company recorded a net loss after taxation of USD74.6m for the year ended December 31, 2015 (2014: USD16.4m), the principal variances between the two periods being the DD&A charge calculated on the Kazakh assets following their reclassification from Assets Held for Sale, an impairment of the Tajikistan exploration assets, a deferred tax charge following the Kazakh Tenge devaluation (all non-cash items) and a significant reduction in production, G&A and business development expenses. Further variances between the two periods are summarized below together with a discussion of significant variances between the two periods.

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Sales and other revenue	3,607	6,224	(42%)	22,135	27,389	(19%)
Sales expenses	(647)	(511)	27%	(4,210)	(2,287)	84%
Production expenses	(1,654)	(3,501)	(53%)	(10,232)	(13,476)	(24%)
Depreciation, depletion & amortization	(3,727)	(690)	440%	(28,731)	(1,270)	2162%
Exploration and evaluation expenditure written off	(25,918)	-	0%	(25,918)	-	0%
Business development expenses	-	(100)	(100%)	-	(1,881)	(100%)
Administrative expenses	(1,884)	(3,259)	(42%)	(9,492)	(17,647)	(46%)
Restructuring costs	(340)	(2,585)	(87%)	(3,247)	(2,585)	26%
Transaction costs of assets held for sale	-	2	(100%)	(1,065)	(243)	338%
Share based payments	(92)	(8)	1050%	(450)	(224)	101%
Profit on sale of fixed assets	-	-	0%	53	-	0%
Foreign exchange loss	(784)	(32)	2350%	(1,715)	(200)	758%
Fair value gain on derivative financial instruments	1,057	-	100%	824	17	4747%
Loss from jointly controlled entity	(2,546)	(44)	5686%	(2,796)	(1,356)	106%
Finance costs	(481)	(47)	923%	(3,329)	(1,247)	167%
Loss before taxation	**(33,409)**	**(4,551)**	**634%**	**(68,173)**	**(15,010)**	**354%**
Taxation	(10,184)	(483)	2008%	(6,430)	(463)	1289%
Loss for the period from continuing operations	**(43,593)**	**(5,034)**	**766%**	**(74,603)**	**(15,473)**	**382%**
Profit/(loss) for the period from discontinued operations	60	(210)	(129%)	(28)	(912)	(97%)
Loss for the period	**(43,533)**	**(5,244)**	**730%**	**(74,631)**	**(16,385)**	**355%**

Sales & other revenue

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Summary						
Oil	1,014	4,371	(77%)	5,898	18,920	(69%)
Gas	2,592	1,839	41%	16,228	8,191	98%
Other	1	14	(93%)	9	278	(97%)
Total	**3,607**	**6,224**	**(42%)**	**22,135**	**27,389**	**(19%)**
By region						
Kazakhstan - Oil	1,014	4,371	(77%)	5,898	18,920	(69%)
Kazakhstan - Gas	2,592	1,839	41%	16,228	8,191	98%
Kazakhstan - Other	1	14	(93%)	9	26	(65%)
Tajikistan - Other	-	-	0%	-	252	(100%)
Total	**3,607**	**6,224**	**(42%)**	**22,135**	**27,389**	**(19%)**

Kazakhstan – Oil revenue and price

	Gross sales bbls	Revenue $000	Realized price at wellhead $/bbl	Compensation $000	VAT $000	Net sales $000
2015						
Q1	100,773	1,424	13.00	30	149	1,245
Q2	177,178	2,275	13.00	26	241	2,008
Q3	152,267	1,863	11.30	38	194	1,631
Q4	129,085	1,160	8.98	25	121	1,014
Total	**559,303**	**6,722**	**12.02**	**119**	**705**	**5,898**
2014						
Q1	174,381	4,827	27.10	97	507	4,223
Q2	215,535	5,704	26.50	114	598	4,992
Q3	219,117	6,097	27.90	122	641	5,334
Q4	201,922	4,997	24.70	101	525	4,371
Total	**810,955**	**21,625**	**26.70**	**434**	**2,271**	**18,920**

- 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 AOT terminal at Shalkar. 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 at the wellhead where the oil is sold and therefore the Company incurs no transportation or marketing costs. Whilst some other oil companies report higher oil prices they report their transportation and marketing costs separately, however Tethys' oil is trucked 230 kilometres and then railed hundreds of kilometres and according to figures provided by local oil buyers if the price was determined at the refinery it would be significantly higher;
- 2015 revenue, both in the current quarter and year to date, has been affected by the decrease in world oil prices that took place at the end of 2014 as well as the significant devaluation of the Kazakh Tenge against the US Dollar in late August, which has affected realised US Dollar prices, although operating costs have also come down in US Dollar terms.

Kazakhstan - Gas revenue and price

- Gas revenue increased in the current quarter compared with the same quarter in the prior year as a result of significantly higher production volumes following the shallow gas development programme completed in December 2014 and an increase in gas price from January 1, 2015;
- The 2014 gas contract was for an annual volume up to 150 million cubic metres at a fixed Tenge price of KZT 9,652.50 per 1,000 cubic metres, net of VAT and sales expenses, (USD53.10 at a 2014 average exchange rate of 181.78);
- A contract was signed with respect to 2015 production for a minimum 100 million cubic metres at a fixed Tenge price of KZT 13,650 per 1,000 cubic metres, net of VAT and sales expenses, (USD60.82 at a 2015 average exchange rate of 224.43 Tenge);
- Gas contracts are subject to exchange rate risk – refer to page 32 – Sensitivities.

Financial Review – continued

Sales expenses

Sales expenses represent Kazakh marketing agent commissions paid in relation to the gas sale contracts. There was a change of marketing agent for 2015 with commission payable at KZT4,550 per Mcm, net of 12% VAT, (USD20.27 at a 2015 period to date average exchange rate of 224.43 Tenge), (2014: KZT 3,712.50 per Mcm, net of 12% VAT, (USD20.42 at a 2014 average exchange rate of 181.78 Tenge).

Production expenses

		Quarter ended December 31			Year ended December 31		
	Units	**2015**	**2014**	**Change**	**2015**	**2014**	**Change**
Kazakhstan							
Oil production	USD000's	997	2,518	(60%)	4,856	9,677	(50%)
Gas production	USD000's	842	906	(7%)	3,801	3,432	11%
Other	USD000's	(185)	78	(337%)	1,575	368	328%
Total	USD000's	1,654	3,501	(53%)	10,232	13,476	(24%)
Oil							
Net production	bbls	130,251	209,097	(38%)	572,164	839,888	(32%)
Cost	USD/bbl	7.65	12.04	(36%)	8.49	11.52	(26%)
Gas							
Production	boe	254,465	137,816	85%	1,122,921	643,741	74%
Cost	USD/boe	3.31	6.57	(50%)	3.38	5.33	(36%)
Weighted average cost per boe	USD/boe	4.78	9.31	(49%)	5.11	8.43	(39%)

Kazakhstan – oil production

- A significant proportion of costs associated with oil production are fixed, so costs would not generally be expected to reduce in the same proportion as a decline in production. The reduction in oil production costs in the quarter and period to date is a result of management's cost reduction initiatives primarily as well as devaluation effects;
- Cost per barrel of oil produced is lower in both the current quarter and year to date, compared with comparative periods is due to reductions in staff levels, reduction in salaries and staff being placed on unpaid leave, plus the effect of the devaluation of the Kazakh currency, the Tenge, in August this year.

Kazakhstan – gas production

- Gas production costs decreased significantly in barrel of oil equivalent terms in the current quarter and the whole year as a result of economies of scale achieved from the shallow gas development programme completed in late 2014 as well as cost reduction initiatives such as placing staff on unpaid leave, as well as the effect of devaluation of the Tenge in August. Gas production, more so than the oil generally, has a significant fixed cost element which includes compressor supplies denominated in US dollar and consequently, as production declines, the production cost per Mcm (or boe) increases.

Kazakhstan – prior year production taxes

The Company has accrued additional production taxes relating to prior years, along with related interest which increased production expenses by USD1,271,000 finance costs by USD747,000 and tax benefit by USD254,000.

Financial Review – continued

Depreciation, depletion and amortization (DD&A)

DD&A for the quarter was USD3.7m (2014: USD0.7m) reflecting DD&A on the Kazakh assets which in the prior period were classified as Held for Sale and not depreciated. DD&A for 2015 was USD28.7m (2014: USD1.3m) which includes a DD&A charge made for the period November 2013 to April 2015 when the assets were classified as Held for Sale. The Kazakh assets ceased to shown as Held for Sale when the SinoHan transaction failed to complete on May 1, 2015 after which DD&A was recorded as usual.

Business development expenses

Business development expenses were nil for both the quarter and year to date (2014: USD0.1m and USD1.881m respectively), reflecting a cessation of new business activities in late 2014 and a focus on optimisation of existing businesses and cost reduction.

Administrative expenses

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Staff	852	1,664	(49%)	4,458	8,871	(50%)
Travel	180	346	(48%)	828	2,278	(64%)
Office	233	425	(45%)	941	1,989	(53%)
Professional fees	231	615	(62%)	1,503	2,348	(36%)
Regulatory	131	97	35%	391	406	(4%)
Marketing costs	131	38	245%	545	995	(45%)
Non-executive director fees	67	80	(16%)	439	372	18%
Other costs	59	(6)	(1055%)	387	388	(1%)
Total	**1,884**	**3,259**	**(42%)**	**9,492**	**17,647**	**(46%)**
G&A expenses per boe (USD)	4.90	9.39	(48%)	5.60	11.89	(53%)

- Staff costs have reduced significantly in the current quarter and year as a result of reductions in staff levels, staff placed on unpaid leave and salary reductions as well as from the Kazakhstan Tenge devaluation in August 2015;
- Reductions in travel expenses reflect management's focus to reduce costs in this area and are also lower due to closure of a number of international offices and reductions in staff levels across the business;
- Office costs reduced in both the current quarter and year following the closure of nine of the Company's fourteen offices. Where there are ongoing rental commitments with respect to these offices these have been fully provided for and included within Restructuring costs;
- Professional and regulatory fees are significantly lower for the quarter and year reflecting lower legal and audit fees. Fees in connection with strategic transactions and legacy issues have been included in Restructuring costs;
- Marketing costs include mandatory corporate social responsibility obligations in Kazakhstan. They are slightly higher in the current quarter due to timing of payments but significantly lower for the year reflecting management's initiatives to reduce the cost of investor relations and promotional activities;
- Non-executive director fees are higher in the current year as a result of fees paid to certain directors for additional work undertaken;
- Other costs, which include bank charges, vehicles costs and insurance are at a similar level to the prior year.

Restructuring costs

Costs associated with the restructuring programme announced on December 1, 2014, have been shown separately from administrative expenses. A provision for costs associated with staff reductions and office closures was made at the end of 2014 and further costs have been incurred in 2015 in engaging a financial adviser and on legal advice associated with restructuring the business. Costs were also incurred in closing the Company's Guernsey office including staff termination costs and full provision for ongoing lease commitments.

Transaction costs of assets held for sale

Period to date costs relating to the SinoHan transaction which failed to complete by the longstop date of May 1, 2015 were USD1.1m (2014: USD0.2 million). This includes USD0.7m of SinoHan's costs which the Company was required to pay.

Share based payments

Share based payments of USD0.5m (2014: USD0.2m) for the year reflect the issuance of options at the beginning of 2015 and 507,720 shares issued in connection with the Executive Chairman's remuneration package whereby 30% of base salary is paid in shares at a price of 16.84 pence per share calculated by reference to the 15 day weighted average closing rate prior to the date of his employment (November 26, 2014).

Foreign exchange loss - net

Foreign exchange gains and losses arise from the revaluation of monetary assets and liabilities denominated in currencies other than the reporting currency and the receipt or settlement of foreign currency denominated amounts at a different amount than the originally recorded transaction amount. The losses are principally as a result of the revaluation of Kazakhstan Tenge denominated items translated into US Dollars and reflect the large devaluation of Tenge in August of this year and further devaluation up to December 31, 2015.

Fair value gain on derivative financial instruments

The fair value gain of USD1.1m arising in the current quarter and USD0.8m for the current year was due to the revaluation of the warrants issued in connection with corporate loans and also loans with conversion features.

Loss from jointly controlled entity

The Company's share of loss from the Aral Oil Terminal joint venture was USD0.3m for the current year (2014: USD1.4m). In addition to this the Company recorded an impairment of USD2.5m of the its shareholder loan to the Aral Oil Terminal. Since the last quarter of 2013, the terminal has generated losses as a result of low oil volume throughput. Actions have been taken at the terminal to reduce operating costs and financing has been rescheduled.

Finance costs - net

Finance costs comprise interest expense net of interest income and includes accrued interest due of USD0.7m on Kazakh production taxes (see Production) and higher effective interest charges on new corporate loans which together have resulted in higher overall finance costs in the current year of USD3.3m (2014: USD1.2m).

Taxation

The large non-cash deferred tax charge for the current year of USD6.4m (2014: tax charge USD0.5m) arose mainly as a result of the impact of the Kazakhstan Tenge devaluation. The future income tax benefit of property, plant and equipment amortization allowances, which are denominated in Tenge, has been reduced in USD terms as a result of the currency devaluation which took place between August and December 2015. A reconciliation of the loss before income tax to the current tax expense is provided in note 11 of the December 2015 Consolidated Financial Statements.

Loss from discontinued operations

As a result of the Company's decision at the end of 2013 to exit from Uzbekistan, all revenues and costs associated with this segment have been excluded from the Company's results and are separately disclosed. The loss of USD28,000 (2014: USD0.912m) represents costs associated with the exit and handover process. Refer to page 19.

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.

Disclosure related to going concern is provided in note 2 to the Consolidated Financial Statements.

Net debt

Net debt (refer to Non-GAAP measures) 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 Financial Statements.

	2015	2014	Change
Total financial liabilities - borrowings	32,032	10,628	
Total financial liabilities – borrowings of a disposal group	-	4,871	
Less: cash and cash equivalents	(3,272)	(3,112)	
Less: cash and cash equivalents – of a disposal group	-	(757)	
Net debt	**28,760**	**11,630**	**147%**
Total equity	134,116	205,750	(35%)
Total capital	**162,876**	**217,380**	**(25%)**

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, farm-down of assets or sale of the Company.

Financing and Going Concern

Details of the Company's financing and going concern assessment are provided in note 2 of the Consolidated Financial Statements.

Cash Flow

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Net cash used in operating activities	**(1,323)**	**(1,739)**	**(24%)**	**(11,998)**	**(11,504)**	**4%**
Capital expenditure	(374)	(7,752)	(95%)	(8,293)	(26,069)	(68%)
Net changes in working capital	(351)	536	(165%)	(1,275)	285	(547%)
Other investing cash flows	961	3,406	(72%)	2,218	1,027	116%
Net cash used in investing activities	**236**	**(3,810)**	**(106%)**	**(7,350)**	**(24,757)**	**(70%)**
Proceeds from loan financing	5,132	-	0%	28,107	11,604	142%
Loan principal and interest payments	(5,467)	(963)	468%	(11,717)	(10,524)	11%
Proceeds from equity, net of costs	-	(1,379)	(100%)	-	13,568	(100%)
Other financing cash flows	(230)	1,352	(117%)	(313)	(153)	105%
Net cash (used)/generated from financing activities	**(565)**	**(990)**	**(43%)**	**16,077**	**14,495**	**11%**
Effect of exchange rates	638	340	88%	2,675	(97)	(2858%)
Net decrease in cash	**(1,014)**	**(6,199)**	**(84%)**	**(596)**	**(21,863)**	**(97%)**
Cash & cash equivalents at beginning of period	4,286	10,067	(57%)	3,868	25,731	(85%)
Cash & cash equivalents at end of period	**3,272**	**3,868**	**(15%)**	**3,272**	**3,868**	**(15%)**

Operating activities

The increase in cash used in operating activities in the current quarter and the period to date compared with the comparative periods, is primarily due to lower oil and gas sales receipts.

Investing activities

Investing activities relate mainly to capital expenditure on oil and gas properties, details of which are given on the following page.

Financing activities

Proceeds from loan financing in the period to date includes:

- USD6.0m unsecured loan taken out January 2015 with a private investor (now USD8.1m due to warrant surrender value being added to the loan principal balance);
- USD3.5m unsecured loan facility taken out March 2015 with ALR, a company controlled by PAM, the Company's largest shareholder;
- USD7.5m unsecured convertible loan taken out May 2015 with AGR Energy;
- USD1.8m unsecured convertible loan taken out May 2015 with ALR;
- USD5.0m unsecured loan taken out August 2015 from Nostrum;
- USD5.1m unsecured loan taken out November 2015 from OPL.

Loan repayments includes scheduled repayments on the Company's rig loans, repayment of the USD3.9m escrow to SinoHan and repayment of the USD5.0m loan from Nostrum.

Financial Review – continued

Capital expenditure

Significant spend is as follows:

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
Kazakhstan – exploration and production	191	5,451	(96%)	2,754	19,288	(86%)
Tajikistan - exploration	70	1,831	(96%)	4,631	4,212	10%
Georgia - exploration	113	479	(76%)	908	2,297	(60%)
Corporate & other	-	(9)	100%	-	272	(100%)
Total	**374**	**7,752**	**(95%)**	**8,293**	**26,069**	**(68%)**

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 Consolidated Financial Statements. Refer to note 4 of Consolidated Financial Statements for information on the Company's significant judgments and assumptions and critical estimates.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Non-GAAP Measures

EBITDA adjusted for share based payments

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

The reconciliation of EBITDA adjusted for share based payment to Loss for the Period is as follows:

	Quarter ended December 31			Year ended December 31		
	2015	**2014**	**Change**	**2015**	**2014**	**Change**
EBITDA - adjusted for share based payments	(4,249)	(3,806)	12%	(10,570)	(12,286)	(14%)
Depreciation, depletion and amortization	(3,727)	(690)	440%	(28,731)	(1,270)	2162%
Exploration and evaluation expenditure written off	(25,918)	-	0%	(25,918)	-	0%
Share based payments	(92)	(8)	1050%	(450)	(224)	101%
Fair value gain on derivative financial instrument - net	1,057	-	100%	824	17	4747%
Finance costs - net	(481)	(47)	923%	(3,329)	(1,247)	167%
Loss before taxation	**(33,410)**	**(4,551)**	**634%**	**(68,174)**	**(15,010)**	**354%**

Net debt / (funds)

Net debt / (funds) 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 Financial Statements.

EBITDA adjusted for share based payments and Net debt / (funds) shown in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-GAAP measures. These measures have been described and presented to provide shareholders and potential investors with additional information regarding the Company's financial results. These measures may not be comparable to similar measures presented by other entities.

Stockholder Equity

As at March 29, 2016 the Company had authorized share capital of 700,000,000 ordinary shares of which 336,960,387 (2014: 336,452,667) 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 March 29, 2016, a total of 40,374,320 (2014: 40,374,320) ordinary shares were reserved under the Company's Long Term Stock Incentive Plan. The number of options outstanding as at March 29, 2016 is 11,025,500 and the number of warrants outstanding is 25,423,333. Loan facilities are in place which are convertible into a total of 143,928,860 ordinary shares, excluding accrued interest.

Dividends

There were no dividends paid or declared in the period.

Transactions with Related Parties

Disclosure of the Company's transactions with related parties are provided in note 26 of the Consolidated Financial Statements.

Commitments and contingencies

Details of the Company's commitments and contingencies including litigation, claims and assessments, work programme commitments and operating leases are provided in notes 28 and 29 of the Consolidated Financial Statements.

A summary of the Company's contractual obligations for each of the next five years and thereafter is shown in the table below:

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Borrowings	37,772	11,924	25,848	-	-
Operating leases	1,408	611	722	75	-
Kazakhstan work programme commitments	85,610	20,903	29,600	9,442	25,665
Georgia work programme commitments	1,027	838	189	-	-
Trade and other payables	14,322	14,189	133	-	-
Total contractual obligations	**140,139**	**48,465**	**56,492**	**9,517**	**25,665**

Risks, uncertainties and other information

Readers are encouraged to read and consider the risk factors and additional information regarding the Company, included in its 2015 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 CEO and the CFO as well as the Board of Directors. The Company has identified its principal risks for 2015 to include:

(1) Liquidity;

(2) Retention and extension of existing licences and development thereof with respect to success rates. Considerable technical work is undertaken to reduce related areas of risk and maximise opportunities;

(3) Production volume – both oil and gas;

(4) Political, fiscal and related risks.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including: market risk, credit risk, liquidity risk, interest rate, commodity price and foreign exchange risk. Details of the Company's exposure to these risks and how this is managed is given in note 3 to the Consolidated Financial Statements. 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.

The Board of Directors of the Company has overall responsibility for the Company's management of risk, including the identification and analysis of risks faced by the Company and the consideration of controls that monitor changes in risk and minimise risk wherever possible.

Sensitivities

The price of gas sales from gas produced from both the Kyzyloi and Akkulka gas fields under Gas Supply Contracts was fixed in Tenge until December 31, 2015 and was sensitive to a fluctuation in exchange rates. A 20% devaluation of the Tenge, from 340 to the USD to 408 for example, would result in a net price reduction of USD6.69 per Mcm (i.e. USD33.46 from USD40.15). Based on a sales volume of 150,000 Mcm per annum, this would result in a reduction of USD1.0m 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 1,500 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 USD0.5m per annum.

Critical Accounting Policies and Estimates

The Consolidated Financial Statements of the Company are prepared in accordance with IFRS and IFRIC Interpretations issued by the IFRS Interpretations Committee, refer to note 2 *Summary of Significant Accounting Policies* and Note 4 – *Critical Judgements and Accounting Estimates* – for further details.

Derivative Financial Instruments

The Company has a derivative financial liability relating to share warrants where the shares are denominated in a currency that is not the Company's functional currency and also convertible loans where the conversion option is treated as a derivative financial liability. Details are disclosed in note 21 of the Consolidated Financial Statements.

Disclosure and Internal Controls

Disclosure and Internal Controls Over Financial Reporting

As at December 31, 2015, an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2015, the design and operation of the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements.

Management has designed and implemented, under the supervision of the CEO and CFO, a system of internal controls over financial reporting which it believes is effective for a company of its size. Management has not identified any material weaknesses relating to the design of these internal controls and consequently, the CEO and CFO have concluded that internal control over financial reporting was effective as at December 31, 2015, and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Company's CEO and CFO have filed certifications with the Canadian securities regulators regarding the quality of the Company's public disclosures relating to the period ending December 31, 2015.

Significant equity investees

Details of significant equity investees are discussed in note 26 of Consolidated Financial Statements.

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 2015 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; the ability of the Company to farm out or sell its Georgian or Tajikistan assets; 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 significant uncertainty over the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations and continue as a going concern; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; the Company will not be successful in negotiating binding terms for the export of gas and oil to China at prices significantly higher than prices currently realized; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the Company and its subsidiaries operate; the risk associated with the uncertainties, inconsistencies and contradictions in local laws and their interpretation and application in local jurisdictions in which the Company operates; the risk of international war, hostilities and terrorist threats, civil insurrection and instability affecting countries in which the Company and its subsidiaries operate; risks associated with existing and potential future lawsuits and regulatory actions made against the Company and its subsidiaries; and other risks and uncertainties described from time to time in the reports and filings made with securities regulatory authorities by Tethys.

Forward-looking statements - continued

With regard to forward looking information contained in this MD&A, the Company has made assumptions regarding, amongst other things, the continued existence and operation of existing pipelines; the proposed increase in the selling price for the delivery of gas and crude oil to China; 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 and ability to continue as a going concern; the regulatory framework representing mineral extraction taxes, royalties, taxes and environmental matters in the countries in which the Company conducts its business, gas production levels; that it will be able to farm out or sell its Georgian and Tajikistan assets; 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.