Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended September 30, 2021

Contents

The following Management's Discussion and Analysis ("MD&A") is dated November 12, 2021 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the period ended September 30, 2021 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2020. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Company's Audit Committee and Board of Directors. The 2020 annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Additional information relating to the Company can be found on the SEDAR website at *www.sedar.com* and the Company's website at *www.tethys-group.com*.

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

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. Tethys' principal activity is the exploration and development of crude oil and natural gas fields. The address of the Company's registered office is One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands. The domicile of Tethys is the Cayman Islands where it is incorporated.

The Company has its primary listing on the TSX Venture Exchange. The Company is also listed on the Kazakhstan Stock Exchange ("KASE").

Financial highlights

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

	Quarter ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Oil and gas sales and other revenues	2,516	2,148	17%	6,852	8,626	(21%)
Loss for the period from continuing operations	(108)	(241)	(55%)	(965)	(3,765)	(74%)
Loss ($) per share from continuing operations	(0.00)	(0.00)	0%	(0.01)	(0.04)	(75%)
Adjusted EBITDA[1]	1,064	1,220	(31%)	2,702	4,553	(41%)

	As at September 30		
	2021	2020	Change
Total assets	58,553	92,304	(37%)
Cash & cash equivalents	658	4,575	(86%)
Short & long term borrowings	6,298	9,572	(34%)
Total non-current liabilities	13,050	16,632	(22%)
Net debt[1]	5,640	4,997	13%
Number of ordinary shares outstanding	107,548,114	104,955,999	2%

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 15 for details.

Third quarter 2021 versus third quarter 2020

- Oil and gas sales and other revenues increased by 17% to $2.5 million from $2.1 million. Gas revenues increased by 10% due to a higher average price which more than offset the 11% lower production. Oil revenues were $0.2 million in the current period and nil in Q3 2020 (oil sales of $2.3m in Q3 2020 from KBD-02 test production were offset against capitalised exploration and evaluation expenditure in accordance with normal practice);
- The loss for the quarter was $0.1 million compared with a loss of $0.2 million in the comparative quarter in 2020. The current period includes higher revenue and lower DD&A charges offset by foreign exchange losses and a higher tax charge;
- Adjusted EBITDA of $1.1 million was lower than the $1.2 million in Q3 2020 due to the higher revenue offset by foreign exchange losses.

Period to date

- Oil and gas sales and other revenues decreased by 21% to $6.9 million from $8.6 million. Gas revenues decreased from $8.6 to $6.6 million due to a lower average price and the 7% lower production. Oil revenues were $0.3 million in the current period and nil in 2020 (oil sales of $2.5m in 2020 from KBD-02 test production were offset against capitalised exploration and evaluation expenditure);
- The loss for the nine month period was $1.0 million compared with a $3.8 million loss in 2020. The lower revenue in 2021 and a higher tax charge were offset by lower DD&A charge and lower finance costs. The 2020 period also included an impairment charge on oil assets of $15.3 million offset by a gain on early settlement of debt of $12.3 million;
- Adjusted EBITDA was $2.7 million which was lower than $4.6 million in 2020 due mainly to the lower revenue in the current period.

Operational highlights

	Units	Quarter ended September 30 2021	2020	Change	Nine months ended September 30 2021	2020	Change
Kazakhstan							
Oil	bopd	100	2,106	(95%)	64	820	(92%)
Gas	boe/d	1,829	2,047	(11%)	1,917	2,051	(7%)
Total	boe/d	**1,929**	**4,153**	**(54%)**	**1,981**	**2,871**	**(31%)**
Oil							
Net production	Bbls	9,173	193,776	(95%)	17,402	223,855	(92%)
Oil sales [1]	$'000	154	2,295	(93%)	267	2,548	(90%)
Production costs [1]	$'000	185	112	65%	542	384	41%
Gross margin	$'000	**(31)**	**2,183**	**(101%)**	**(275)**	**2,164**	**(113%)**
Gas							
Gross production	Mcm	28,589	32,011	(11%)	88,951	95,144	(7%)
Gas sales	$'000	2,362	2,148	10%	6,585	8,626	(24%)
Production costs	$'000	470	535	(12%)	1,394	1,833	(24%)
Gross margin	$'000	**1,892**	**1,613**	**17%**	**5,191**	**6,793**	**(24%)**

Note 1 – 2020 amounts shown in the table above include oil sales and the associated production costs from test production of the KBD-02 well. In accordance with the Company's accounting policy and industry practice, these amounts have been offset against capitalised exploration & evaluation expenditure and are not shown in the Company's income statement.

Oil

- Oil production commenced in September from the KBD-03 well and averaged 100 bopd for the quarter. In Q3 2020 production averaged 2,106 bopd from test production at the KBD-02 well. Both wells are in the Kul-bas exploration contract area. For the nine month period production averaged 64 bopd versus 820 bopd in 2020;
- Oil sales for the quarter were $0.2 million compared with $2.3 million in Q3 2020 and for the nine month period were $0.3 million compared with $2.5 million in 2020. Oil was sold at an average price of around $18 a barrel in 2021 and $13 in 2020, including value added tax;
- Oil production costs were higher in the current quarter and year to date than in the prior year as activities expanded in anticipation of production commencing from multiple wells.

Gas

- Gas production averaged 1,829 boe/d for the current quarter compared with 2,047 boe/d in Q3 2020, an 11% decrease. For the 9 months gas production averaged 1,917 boe/d versus 2,051 boe/d in 2020, a 7% decrease, reflecting a natural decline in production;
- Gas sales were 10% higher in the current quarter due to higher average prices more than offsetting the lower production. For the year to date gas sales were 24% lower due to a lower average price and the lower production;
- Gas production costs were lower in the current quarter and year to date, mainly due to lower personnel costs, waste removal and materials costs.

Operational Review

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to page 18 – "*Forward Looking Statements*" of this MD&A.

The Company's objective is to become a leading oil and gas exploration and production Company in Central Asia, by exercising capital discipline, by generating cash flow from existing discoveries and by developing large exploration prospects within our highly-attractive frontier acreage. The Company produces both oil and natural gas in Kazakhstan.

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:

- Continue our development of the Company's oil & gas fields to increase production levels and revenues;
- Obtain regulatory approvals for recently drilled wells and upcoming license renewals; and
- Secure funding required to meet capital expenditure obligations to the extent that these cannot be funded from oil & gas sales.

Significant events and transactions for the nine months ended September 30, 2021

- *McDaniel Associates report*

  Tethys received a resource report and reserves assessment from McDaniel & Associates, of Calgary, Canada on the Klymene field. This report was prepared in compliance with NI51-101, Standards of Disclosure for Oil and Gas Activities and the COGE Handbook. Their summary of mean reserves is estimated to be approximately 94.8 million barrels of crude oil with a P90 low estimate of approximately 35.8 million barrels and a P10 high estimate of approximately 174 million barrels.

- *Private placement*

  In order to fund short term cash obligations, the Company completed a private equity placement for 2,592,115 ordinary shares at 0.67 CAD per share (C$1,736,717), approximately $1.4 million. These proceeds were used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses. The placement was to Pope Investments II, LLC, an investment fund managed by Pope Asset Management, LLC. William Wells, the Chairman of Tethys Petroleum is the President of Pope Asset Management, LLC and has a minority ownership interest in Pope Investments II, LLC.

- *Drilling operations*

  On October 22, 2021 the Company announced that "Kul-Bas" LLP, a subsidiary company of Tethys obtained all the required approvals to operate under a pilot license program at the Kul-Bas field. This approval allows for approximately 180,000 tons of oil to be produced prior to the expiration of the pilot license in December, 2022.

The pilot license allows for a maximum of 57,450 tons of oil to be produced under the license in 2021. This pilot license will include three wells during this period (KBD-02, KBD-06 and KBD-07). A presale of 38,000 tons has been completed with current deliveries being made against that contract.

Oil wells

KBD-02 – this well was productive from three reservoirs during the test period which was completed in January 2021. This well was put back on production within the frames of the pilot license program starting October 15, 2021 and production is coming from the Aptian Stage, Lower Cretaceous reservoir (horizon K1a). The current average production rate of the well is around 2,700 bopd using an 11mm choke.

KBD-06 - production from the KBD-06 well under the pilot license program also commenced on October 15, 2021. We are pleased to report that the oil quality is high, the pressure is very good and at present no water has been found in the collected oil samples. Current production rate of the well is approximately 2,700 bopd using a 11mm choke. This well is anticipated to produce from the Barremian Stage, Lower Cretaceous reservoir (horizon K1br).

KBD-07 - the KBD-07 well is approximately 600 meters to the southeast of KBD-02 and within the pilot production area. It is anticipated that this well will be productive from the Jurassic reservoir. Drilling of this well was commenced on October 8, 2021. The well is estimated to take about 60 days until it is completed and tested.

The plan is to have the three wells in the pilot license area produce from different reservoirs. The pilot license program involves production from three wells, being within the pilot production area, from the three reservoirs- Jurassic (JIII), Lower Cretaceous (Klbr, Kla).

KBD-03 - the KDB-03 well is outside the pilot production area and is approximately 1,900 meters to the east of KBD-02. The well is currently testing the Jurassic reservoir. The plan is to test three reservoirs- Jurassic (JIII), Lower Cretaceous (Klbr, Kla). Testing will be in progress for up to 90 days per reservoir. On October 6, 2021 Tethys initiated an acid job within the Jurassic reservoir and the rate of production increased to over 500 bopd from approximately 360 bopd. The current production rate is approximately 600 bopd using an 11 mm choke.

KBD-08 - this well is approximately 880 meters east of KBD-03. The drilling of this well commenced on October 19, 2021. Similar to KBD-07, it is anticipated that this well will take approximately 60 days to drill and complete. This well is anticipated to be lower in the structure than the other wells. This leads to an increased likelihood that the well will intersect oil-water contacts that will better define the limits of the field.

AKD-13 - this well is further east of the KulBas field and is on the west side of the Akkulka license. AKD-13 is planned to be spudded on November 12, 2021. Similar to the other wells, it will test the Lower Cretaceous and down to the Jurassic.

Operational Review - continued

Gas wells

The Akkulka wells are operated by 100% owned subsidiary of Tethys, TethysAralGas LLP.

On May 25, 2021 the Company announced that the AKD-12 well at Akkulka had been tested and produced gas at a rate of approximately 29.4 thousand cubic meters per day using a 6mm choke, and approximately 34.5 thousand cubic meters per day using an 8mm choke. The interval perforated was 588-593 meters. The AKD-12 well will not likely go into production until 2022.

Tethys completed drilling of the AKK-23 and AKK-28 wells during the period. The test rates from both the wells were about 60,000 cubic meters/day. Tethys plans to drill one or two more Akkulka gas wells and hopes to have these wells permitted and into production by March, 2022. The AKK-21 gas well in the Akkulka field is planned to be spudded on November 15, 2021.

Significant events and transactions subsequent to the period end

There are no subsequent events to report.

Reserves

Following the completion of the annual evaluation of the Kazakhstan reserves by an independent qualified reserves evaluator, McDaniel & Associates, of Calgary, Canada (2019: Gustavson Associates, 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 36.7 million BOE (2019: 3.99 million BOE) and "Proved and Probable" 2P reserves of 78.6 million BOE (2019: 17.61 million BOE).

The net present value after tax of the Company's 2P Kazakhstan reserves as at December 31, 2020 was $364.3 million (2019: $91.3 million) based on a 10% discount rate.

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.

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

	2021					2020				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m³	barrels	barrels	days	bopd	m³	barrels	barrels	days	bopd
Q1	1,574	9,898	8,229	90	91	-	-	-	90	-
Q2	-	-	-	91	-	5,809	36,535	30,079	91	331
Q3	1,764	11,096	9,173	92	100	37,162	233,740	193,776	92	2,106
Total	**3,338**	**20,994**	**17,402**	**183**	**64**	**42,971**	**270,275**	**223,855**	**273**	**820**

Oil operations update

Production shown in the table above for the period Q2 2020 through Q1 2021 was from the KBD-02 exploration well during the testing period. The KBD-02 well was closed in January 2021 while Tethys awaited approval of its application for a pilot license program. Formal approval for the pilot license program was received by the Company in October 2021. This well was put back on production within the frames of the pilot license program starting October 15, 2021.

Production in Q3 2021 arose from testing of the KBD-03 well. The KDB-03 well is outside the pilot production area.

Further details of these and other wells is given in the section above headed *Significant events and transactions for the six months ended September 30, 2021 – Drilling operations.*

In conjunction with the drilling operations Tethys has been undertaking the acquisition, interpretation and analysis of 3D seismic for the Klymene field during the period and additional acreage in the Kyzloi/Akulka fields at an approximate cost of $3.5 million.

Historically, the Company has produced oil under a pilot license program which requires all production to be sold domestically. The Company may apply for a full commercial production licence in future once production reaches the required levels. A commercial production licence would require additional infrastructure to be put in place such as a gas utilisation facility and would enable a percentage of oil to be exported at higher prices than can be achieved on the domestic market.

Joint Venture – Aral Oil Terminal (“AOT”)

The Company is considering its options with regard to disposing of its 50% interest in the AOT. Until 2016, oil sold by Tethys at the oil field site was trucked by buyers over 200km to the AOT for transportation by rail. Following extension of the national rail network to the region where Tethys oil field are located, a much closed rail terminal is now available for transportation of Tethys’ oil.

Operational Review - continued

Gas production – Kyzyloi and Akkulka Contracts

	2021				2020			
	Mcm	**Mcf**	**Mcm/d**	**Boe/d**	**Mcm**	**Mcf**	**Mcm/d**	**Boe/d**
Kyzyloi								
Q1	21,154	746,942	235	1,383	24,643	870,144	274	1,611
Q2	20,935	739,226	230	1,354	24,028	848,431	264	1,544
Q3	20,182	712,615	219	1,291	24,297	857,937	264	1,554
Total	**62,271**	**2,198,783**	**228**	**1,342**	**72,968**	**2,576,512**	**267**	**1,573**
Akkulka								
Q1	9,371	330,898	104	613	7,333	258,930	81	480
Q2	8,902	314,332	98	576	7,129	251,733	78	461
Q3	8,407	296,868	91	538	7,714	272,373	84	493
Total	**26,680**	**942,098**	**98**	**575**	**22,176**	**783,036**	**81**	**478**
Grand total	**88,951**	**3,140,881**	**326**	**1,917**	**95,144**	**3,359,548**	**348**	**2,051**

Gas operations update

During the period, the Company produced dry gas from a total of 23 wells at a depth of approximately 480-600m below surface, comprising 13 producing wells in the Kyzyloi field and 10 in the Akkulka field. Gas production for the quarter decreased to 310 Mcm per day compared with 348 Mcm per day in Q3 2020. For the nine month period production decreased to 326 Mcm per day from 348 Mcm per day.

Details of new gas wells is given in the section above headed *Significant events and transactions for the six months ended September 30, 2021 – Drilling operations.*

In conjunction with the drilling operations, Tethys has been undertaking the acquisition, interpretation and analysis of 3D seismic for the Klymene field during the period and additional acreage in the Kyzloi/Akulka fields at an approximate cost of $3.5 million.

The completed Bozoi-Shymkent-China gas pipeline means that 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 Bukhara-Urals trunk line that transports gas from Central Asia into Russia. The Company believes that the long-term price for gas will rise in the region, in particular dry gas exported 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.

Financial Review

Summary of Quarterly Results

	Q3, 2021	Q2, 2021	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020	Q1, 2020	Q4, 2019
Oil & gas sales and other revenues	2,516	1,952	2,384	4,414	2,148	2,977	3,501	1,252
(Loss)/profit for the period	(108)	(848)	(93)	(33,888)	(241)	3,906	(7,432)	(7,517)
Basic (loss)/earnings ($) per share	(0.00)	(0.01)	(0.00)	(0.34)	(0.00)	0.04	(0.09)	(0.11)
Adjusted EBITDA[1]	1,064	512	1,127	2,508	1,220	1,586	1,448	(472)
Capital expenditure	4,004	2,766	836	7,522	(1,018)	36	165	2,985
Total assets	58,553	54,691	52,751	53,817	92,304	92,459	96,421	108,834
Cash & cash equivalents	658	508	433	1,747	4,575	650	4,519	694
Short & long term borrowings	6,298	6,034	5,785	5,549	9,572	13,159	24,342	40,196
Total non-current liabilities	13,050	12,657	15,574	11,867	16,632	16,320	15,659	9,776
Net debt[1]	5,640	5,526	5,352	3,802	4,997	12,509	19,823	39,502
Number of common shares outstanding	107,548,114	107,548,114	104,955,999	104,955,999	104,955,999	104,955,999	86,955,999	68,324,430

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 15 for details.

Loss for the period

	Quarter ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Sales and other revenue	2,516	2,148	17%	6,852	8,626	(21%)
Production expenses	(655)	(581)	13%	(1,936)	(2,038)	(5%)
Depreciation, depletion & amortization	(781)	(1,229)	(36%)	(2,287)	(3,484)	(34%)
Impairment charges	-	-	-	-	(15,280)	(100%)
Administrative expenses	(739)	(738)	0%	(2,312)	(2,193)	5%
Other gains and losses	(2)	-	-	130	12,261	(99%)
Foreign exchange (losses)/gains	(58)	391	(115%)	98	158	(38%)
Finance costs	(303)	(440)	(31%)	(858)	(2,320)	(63%)
	(2,538)	(2,597)	(2%)	(7,165)	(12,896)	(44%)
Loss before tax	**(22)**	**(449)**	**(95%)**	**(313)**	**(4,270)**	**(93%)**
Taxation	(86)	208	(141%)	(652)	505	(229%)
Loss for the period	**(108)**	**(241)**	**(55%)**	**(965)**	**(3,765)**	**(74%)**

Loss after tax for the nine months was $1.0 million compared with a loss of $3.8 million in 2020 and loss for the quarter was $0.1 million compared with a loss of $0.2 million in Q3 2020 , the principal variances being:

- Higher gas revenues in the quarter from a higher average price which more than offset the lower production level. For the nine month period gas revenues were lower due to a lower average price and a lower production level;

Financial Review - continued

- Oil revenue was $0.2 million in the quarter and $0.3 million for the nine month period. No oil revenue was recognised in the nine month period in 2020 although oil sales of $2.5 million ($2.3 million for Q3 2020) from test production at the KBD-02 well were capitalised in line with normal practice;

- The 2020 period included a$15.3 million impairment of oil assets offset by gains from loan settlements of $12.3 million;

- Lower depreciation, depletion and amortization charges due to lower production levels and reassessment of reserves and future development costs at December 31, 2020;

- Lower finance costs due to lower levels of debt and reduced interest rates after loans were settled; and

- Higher tax charge.

Further variances between the two periods are summarized below together with a discussion of significant variances between the two periods.

Sales & other revenue

	Quarter ended September 30			Nine months ended September 30		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Kazakhstan:						
Oil[1]	154	-	-	267	-	-
Gas	2,362	2,148	10%	6,585	8,626	(24%)
Total	**2,516**	**2,148**	**17%**	**6,852**	**8,626**	**(21%)**

Note 1 – Q3 2020 oil sales from test production of $2.3 million (nine months $2.5 million) from the KBD-02 well in the Kul-bas contract area was offset against capitalised exploration & evaluation expenditure in accordance with normal practice and are not shown in the Company's income statement.

Kazakhstan – Oil revenue

- Oil can only be sold in the domestic Kazakhstan market and is priced in local currency, the Tenge. Oil was sold at an average price of around $18 a barrel in 2021 and $13 in 2020;
- Sale price is determined at the wellhead where the oil is sold and therefore the Company incurs no transportation or marketing costs;
- Q3 2020 oil sales from test production of $2.3 million (nine months $2.5 million) from the KBD-02 well in the Kul-bas contract area was offset against capitalised exploration & evaluation expenditure in accordance with normal practice and are not shown in the Company's income statement.

Kazakhstan - Gas revenue

- Gas revenues were 10% higher for the quarter due to a higher average price received which more than offset the 11% lower production. For the nine month period gas revenues were 24% lower from a combination of lower average price received and 7% lower production volume.
- Gas contracts are subject to price risk – refer to page 17 – "*Sensitivities*".

Financial Review - continued

Production expenses

	Units	Quarter ended September 30 2021	2020	Change	Nine months ended September 30 2021	2020	Change
Kazakhstan							
Oil operating costs Akkulka	$000's	(113)	46	(346%)	244	205	19%
Gas production	$000's	470	535	(12%)	1,394	1,833	(24%)
Total	$000's	**357**	**581**	**(39%)**	**1,638**	**2,038**	**(20%)**
Oil production costs Kul-bas[1]	$000's	298	66	352%	298	179	66%
Oil							
Production	bbls	9,173	193,776	(95%)	17,402	223,855	(92%)
Cost	$/bbl	32.49	0.58	5502%	17.12	1.72	895%
Gas							
Production	boe	168,258	188,397	(11%)	523,513	559,960	(7%)
Cost	$/boe	2.79	2.84	(2%)	2.66	3.27	(19%)
Weighted average cost per boe	$/boe	4.33	1.69	156%	3.13	2.83	11%

Note 1 – In 2020 oil production costs relating to test production from the KBD-02 well in the Kul-bas contract area were capitalised to exploration & evaluation expenditure. All oil production in 2021-2021 was from the Kul-bas field.

Kazakhstan – oil production

Oil production costs were higher in the current quarter and year to date than in 2020. Oil production costs have continued to be incurred for the Akkulka field as the Company maintains some capacity in anticipation of recommencing production from that field. For the Kul-bas field, development activity and production costs increased as the Company prepares to scale up production from KBD-02 and the new wells drilled during the period.

Kazakhstan – gas production

Gas production costs decreased in the current quarter by 12% (and 24% for the nine months) mainly due to lower materials costs. Cost per boe reduced by only 2% to $2.79 for the quarter and by 19% to $2.66 reflecting the affect of lower production volumes.

Depreciation, depletion and amortization ("DD&A")

DD&A for the quarter was $0.8 million (Q3 2020: $1.2 million) and for the nine months of $2.3 million (2020: $3.5 million) mainly relates to depletion of the Kazakh gas assets. The decrease in DD&A reflects the lower production volumes and reassessment of reserves and future development costs carried out at December 31, 2020.

Financial Review - continued

Administrative expenses

	Quarter ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Staff	384	393	(2%)	1,131	1,196	(5%)
Non-executive director fees	48	64	(25%)	170	168	1%
Professional fees	142	100	42%	406	353	15%
Other administrative expenses	155	181	(14%)	605	476	129%
Total	**739**	**738**	**0%**	**2,312**	**2,193**	**5%**
G&A expenses per boe ($)	4.16	1.93	116%	4.14	2.79	48%

- Staff costs were at a similar level to the prior period;
- Professional fees were higher due to greater use of consultants from the increase in field development activity; and
- Other administrative expenses were higher for the nine month period due to higher socio-economic contributions and tax penalties in Kazakhstan.

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. These arise mainly in Kazakhstan from variations in the KZT:USD exchange rate.

Finance costs - net

Finance costs comprise interest expense net of interest income and were lower due to lower interest rates and loan balances in the current quarter as the Company's borrowings were renegotiated, converted into shares and repaid during the prior period.

Taxation

The deferred tax charge/credit arises mainly due to property, plant & equipment timing differences for accounting and tax purposes.

Liquidity and Capital Resources

The Company reported a loss of $1.0 million for the period ended September 30, 2021 (year ended December 31, 2020: $38.5 million loss) and an accumulated deficit as at that date of $403.5 million (December 31, 2020: $402.6 million) and negative working capital of $15.8 million (December 31, 2020: negative $11.8 million). In addition, the Company reported cash from operating activities after tax paid of $3.9 million for the period ended September 30, 2021 (year ended December 31, 2020: cash from operating activities of $17.5 million).

The Company's financial position has improved as a result of the Company's loan obligations being restructured, repaid and/or converted into Tethys ordinary shares during the prior year. Borrowings have reduced from $40.2 million at January 1, 2020 to $6.3 million at September 30, 2021.

In addition, a settlement agreement was signed with Olisol Petroleum Limited ("Olisol") and DSFK Special Finance Company LLP ("DSFK") to resolve all disputed matters with those parties. In April 2020, the Company announced that it had completed the issuance of a $4.8 million convertible debenture and received the proceeds which were used to make the settlement payment to DSFK, reduce debt and for general working capital purposes. An unsecured loan of $2.5 million was received from the same lender in October 2020.

A private placement of $1.4 million was completed in April 2021. These proceeds have been used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses.

Nevertheless, the Company may not have sufficient funding to fund its obligations for the next twelve months and may need to raise funds to meet any shortfall and to fund its planned capital expenditure program.

There are factors relating to the ongoing COVID-19 pandemic that could impact the business. Possible adverse effects from the Covid-19 pandemic could include lower oil & gas prices received by the Company due to lower demand for oil & gas, customers not paying for oil & gas delivered, planned oil & gas development activities becoming uneconomic due to lower prices, difficulty in obtaining future financing, failure of suppliers who are no longer able to supply goods and services and employees becoming unavailable due to sickness or quarantine measures. However, the Company's oil & gas operations are in a remote region of Kazakhstan and the Company is taking precautions to prevent personnel from becoming infected and to identify infections at any early stage should they occur. The Company has not suffered any significant adverse effect from Covid-19 and, at this time, does not anticipate Covid-19 will have a material impact on the Company's operations over the next twelve months.

In order to support the Company's short term liquidity position and improve the Company's financial situation, we will need to:

- Continue our development of the Company's oil & gas fields to increase production levels and revenues;
- Obtain regulatory approvals for recently drilled wells and upcoming license renewals; and
- Secure funding required to meet capital expenditure obligations to the extent that these cannot be funded from oil & gas sales.

Financing and Going Concern

Details of the Company's financing and going concern assessment are provided in note 1 of the condensed consolidated interim financial statements.

Financial Review - continued

Cash Flow

	Quarter ended September 30			Nine months ended September 30		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Net cash from operating activities	**5,319**	**6,887**	**(23%)**	**3,946**	**14,396**	**(73%)**
Capital expenditure (net of revenue receipts)	(4,004)	1,219	(428%)	(7,607)	1,018	(847%)
Net changes in working capital	(1,009)	(107)	843%	1,402	(1,115)	(226%)
Other movements	(217)	8	(2813%)	(257)	(10)	2470%
Net cash (used in)/from investing activities	**(5,230)**	**1,120**	**(567%)**	**(6,462)**	**(107)**	**5939%**
Proceeds from share issuance	-	-	-	1,401	-	-
Proceeds of new borrowings	-	-	-	-	4,800	(100%)
Repayment of borrowings	-	(4,000)	(100%)	-	(11,690)	(100%)
DSFK settlement	-	-	-	-	(3,424)	(100%)
Net cash (used in)/from financing activities	**-**	**(4,000)**	**(100%)**	**1,401**	**(10,314)**	**(114%)**
Effect of exchange rates	61	(82)	(174%)	26	(94)	(128%)
Net increase/(decrease) in cash	**150**	**3,925**	**(96%)**	**(1,089)**	**3,881**	**(128%)**
Cash & cash equivalents at beginning of period	508	650	(22%)	1,747	694	152%
Cash & cash equivalents at end of period	**658**	**4,575**	**(86%)**	**658**	**4,575**	**(86%)**

Operating activities

Net cash from operating activities in the current quarter includes a $5.9 million prepayment received for oil sales whereas the comparable quarter in 2020 included receipt of a prepayment from the Company's gas customer of $7.6 million ($15.3 million for nine month period in 2020).

Investing activities

Capital expenditure in the current year nine month period includes $2.3 million paid for drilling wells in the Kul-bas contract area and $2.2 million for seismic acquisition and interpretation. A further $1.0 million was paid for drilling the AKD-12 well. Other payments were made for gas well drilling and technical project work. During the prior year nine month period $2.5 million was paid for KBD-02 drilling costs and seismic acquisition in the Kul-bas contract area and $1.3 million for gas capex. These amounts were offset by $2.5m of oil sales ($2.3 million for Q3 2020) from test production of the KBD-02 well.

Financing activities

The Company completed a private equity placement of approximately $1.4 million in Q2 2021. A $4 million repayment was made during Q3 2020 to the holder of the loan originally made to AGR Energy Limited No 1. For the nine month period to September 30, 2020 a further $7.7 million was paid to settle in full the loan due to Khan Energy. The settlement payment to DSFK in the amount of KZT 1.4 billion ($3.4 million) was also paid during the prior period.

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 September 30, 2021 condensed consolidated interim financial statements. Refer to note 4 of the 2020 audited consolidated financial statements for information on the Company's significant judgments and assumptions and critical estimates.

Financial Review - continued

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is defined as "Profit or loss 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 Adjusted EBITDA to loss for the period is as follows:

	Quarter ended September 30			Nine months ended September 30		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Loss before taxation	(22)	(449)	(95%)	(313)	(4,270)	(93%)
Depreciation, depletion and amortization	781	1,229	(36%)	2,287	3,484	(34%)
Impairment charges	-	-	-	-	15,280	(100%)
Other gains and losses	2	-	-	(130)	(12,261)	(99%)
Finance costs - net	303	440	(31%)	858	2,320	(63%)
Adjusted EBITDA	**1,064**	**1,220**	**(13%)**	**2,702**	**4,553**	**(41%)**

Net debt

Net debt is calculated as total borrowings (which includes current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity plus net debt. All figures are as stated in the statements of financial position for the respective reporting periods.

	As at September 30		
	2021	**2020**	**Change**
Total financial liabilities - borrowings	6,298	9,572	(34%)
Less: cash and cash equivalents	(658)	(4,575)	(86%)
Net debt	**5,640**	**4,997**	**13%**
Total equity	25,356	57,398	(56%)
Total capital	**30,996**	**62,395**	**(50%)**

Refer to the section above *"Liquidity and capital resources"* for a description of the Company's plans to reduce net debt.

Adjusted EBITDA and Net debt shown in this MD&A do not have any standardised 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 September 30, 2021 the Company had authorised share capital of 145,000,000 (September 30, 2020: 145,000,000) ordinary shares of which 107,548,114 (September 30, 2020: 104,955,999) had been issued and 50,000,000 (September 30, 2020: 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 of the Company.

The number of ordinary shares issued and outstanding at the date of this MD&A was 107,548,114 and the number of preference shares issued and outstanding was nil.

The number of options issued under the Company's Long Term Stock Incentive Plan and outstanding as at September 30, 2021 was 1,277,188 (September 30, 2020: 1,277,188) and the number of warrants outstanding was nil (September 30, 2020: nil). Loan facilities were in place which were convertible into a total of up to 17,609,214 (September 30, 2020: 17,437,353) ordinary shares.

Dividends

There were no dividends paid or declared in the period.

Transactions with Related Parties

There were no transactions with related parties requiring disclosure.

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 note 19 of the 2020 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:

	Total	**Payments due by period**			
Contractual obligations		**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Borrowings	6,298	-	6,298	-	-
Kazakhstan work programme commitments	46,414	11,748	14,420	9,522	10,724
Trade and other payables	10,356	10,356	-	-	-
Provisions	1,833	465	154	-	1,214
Total contractual obligations	**64,901**	**22,569**	**20,872**	**9,522**	**11,938**

Risks, uncertainties and other information

Risk management is carried out by senior management, in particular the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") as well as the Board of Directors. The Company has identified its principal risks for 2021 to include:

(1) Liquidity and going concern;

(2) Retention and extension of existing licences;

(3) Production volumes and pricing – both oil and gas; and

(4) Political, fiscal, litigation 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 audited consolidated financial statements for the year ended December 31, 2020. The Company's overall risk management program 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 is set under gas sales contracts denominated in Tenge and is sensitive to a fluctuation in exchange rates. A 20% net price reduction from the 2020 average sales price, would result in a reduction of $2.2 million in gas revenues based on the 2020 gas sales volume of 375,000 Mcm.

Any material decline in oil prices could result in a reduction of the Company's oil revenues in Kazakhstan. For example, a 20% net price reduction from the 2020 average sales price, would result in a reduction of $0.9 million in oil revenues based on the 2020 oil sales volume of 375,000 bbls.

Critical Accounting Policies and Estimates

The annual and condensed consolidated interim financial statements of the Company are prepared in accordance with IFRS and IFRIC Interpretations issued by the IFRS Interpretations Committee, refer to 2020 audited consolidated financial statements - note 2 *Summary of Significant Accounting Policies* and Note 4 – *Critical Judgements and Accounting Estimates* – for further details.

Derivative Financial Instruments

The Company has not recognised any derivative financial instruments.

Significant equity investees

Details of significant equity investees are discussed in note 17 of the audited consolidated financial statements for the year ended December 31, 2020.

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 the Company's 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.

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: 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; risks of exploration and production licenses, contracts and permits being cancelled due to non-fulfilment of contractual commitments or not being renewed when they expire; the Company will not be successful obtaining governmental approvals for the export of oil at prices significantly higher than price currently realised; volatility of and assumptions regarding oil and gas prices; fluctuations in currency and interest rates; product supply and demand; market competition; ability to realise current market oil and gas prices; risks inherent in the Company's and its subsidiaries' marketing operations, including credit risks; imprecision of reserve estimates and estimates of recoverable quantities of oil and natural gas and other sources not currently classified as proved; the Company's and its subsidiaries' ability to replace and expand oil and gas reserves; unexpected cost increases or technical difficulties in constructing pipeline or other facilities; unexpected delays in its drilling operations; unexpected difficulties in transporting oil or natural gas; risks associated with technology; the timing and the costs of well and pipeline construction; the Company's and its subsidiaries' ability to secure adequate product transportation; changes in royalty, tax, environmental and other laws or regulations or the interpretations of such laws or regulations; political and economic conditions in the countries in which the Company and its subsidiaries operate; the risk 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; future prices for oil and 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; 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.

Glossary

AKD	Akkulka Deep development well in the Akkulka Exploration Contract area
AOT	Aral Oil Terminal LLP
Bbls	Barrels of oil
boe/d	Barrel of oil equivalent per day
bopd	Barrels of oil per day
DSFK	DSFK Special Finance Company LLP
EBITDA	Earnings before interest, taxes, depreciation and amortisation
GAAP	Generally accepted accounting principles
IFRS	International Financial Reporting Standards
KASE	Kazakhstan Stock Exchange
Klymene	Oil field in the Kul-Bas Exploration Contract area
KZT	Kazakhstani Tenge
m3	Cubic metre
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
Mcm	Thousand cubic metres
Mcm/d	Thousand cubic metres per day
MD&A	Management's Discussion & Analysis
NPV	Net present value
Olisol	Olisol Investments Limited and Olisol Petroleum Limited
Q1	Three month period commencing January 1 and ending 31 March
Q2	Three month period commencing April 1 and ending 30 June
Q3	Three month period commencing July 1 and ending 30 September
Q4	Three month period commencing October 1 and ending 31 December
sq.km	Square kilometre
Tethys	Tethys Petroleum Limited and subsidiary companies
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
YTD	Year to date cumulative
$	United States Dollar
$/bbl	$ per barrel
$/Mcm	$ per thousand cubic metre