Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended March 31, 2022

Contents

The following Management's Discussion and Analysis ("MD&A") is dated May 20, 2022 and should be read in conjunction with the Group's unaudited condensed consolidated interim financial statements and related notes for the period ended March 31, 2022 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2021. The accompanying unaudited condensed consolidated interim financial statements of the Group have been prepared by management and approved by the Company's Audit Committee and Board of Directors. The 2021 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 Group can be found on the SEDAR website at *www.sedar.com* and the Group'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 (hereinafter "Tethys" or the "Company", together with its subsidiaries "the Group") 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 ("TSXV"). 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 March 31		
	2022	**2021**	**Change**
Oil and gas sales revenues	13,903	2,384	483%
Profit/(loss) for the period	7,385	(93)	(8041%)
Earnings/(loss) ($) per share - basic	0.07	(0.00)	-
Adjusted EBITDA[1]	11,525	1,127	923%
Capital expenditure	3,301	836	295%

	As at March 31		
	2022	**2021**	**Change**
Total assets	77,361	52,751	47%
Cash & cash equivalents	11,651	433	2591%
Short & long term borrowings	6,872	5,785	19%
Total non-current liabilities	15,335	15,574	(2%)
Net (cash)/debt[1] (excluding obligation of prepayment)	(4,779)	5,352	19%
Number of ordinary shares outstanding	107,339,814	104,955,999	2%

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 14 for details.

First quarter 2022 versus first quarter 2021

- Oil and gas sales revenues increased by 483% to $13.9 million from $2.4 million. Oil sales were $12.6 million compared with nil in the prior period and gas sales were $1.3 million compared with $2.4 million in the prior period. The gas price from January 1, 2022 has been recorded on an estimated basis as it has not yet been confirmed, refer page 6 for further details;
- The profit for the quarter was $7.4 million compared with a loss of $0.1 million in Q1 2021. The profit in the quarter is a result of the higher oil revenues partly offset by higher costs of production and the lower gas revenues. The result also includes a $1.1 million impairment charge relating to the unsuccessful AKD-13 exploration well and a $1.1 million foreign exchange gain from movements in the tenge dollar exchange rate;
- Adjusted EBITDA was $11.5 million compared with $1.1 million as a result of the contribution from oil production partly offset by a lower contribution from gas;
- Total assets increased by 47% to $77.4 million due mainly to a $11.6 million increase in property, plant and equipment and the $11.2 million increase in cash;
- The Group had net cash of $4.8 million compared with net debt of $5.4 million at Q1 2021 reflecting net cash generated from operations;
- The number of ordinary shares outstanding increased by 2% to 107.4 million.

Operational Highlights

	Units	Quarter ended March 31 2022	2021	Change
Kazakhstan				
Oil	bopd	4,658	91	5019%
Gas	boe/d	1,730	1,996	(13%)
Total	boe/d	**6,388**	**1,996**	**220%**

Oil				
Oil production	bbls	419,205	8,227	4995%
Oil sold	bbls	407,005	8,587	4640%
Revenue	$'000	12,611	113	11060%
Cost of production	$'000	2,797	470	495%
Contribution	$'000	**9,814**	**(357)**	**(2849%)**
Revenue	$/bbl	30.98	13.16	-
Cost of production	$/bbl	6.67	57.13	(88%)
Contribution	$/bbl	**24.31**	**(43.97)**	**(155%)**

Gas				
Gross production	Mcm	26,453	30,525	(13%)
Gas sold	Mcm	25,847	29,942	(14%)
Revenue	$'000	1,292	2,271	(43%)
Cost of production	$'000	1,158	1,350	(14%)
Contribution	$'000	**134**	**921**	**(85%)**
Revenue	$/Mcm	50.00	75.85	(34%)
Cost of production	$/Mcm	43.78	44.23	(1%)
Contribution	$/Mcm	**6.22**	**31.62**	**(80%)**

Oil

- Oil production averaged 4,658 bopd compared with 91 bopd in Q1 2021. The Group produced oil from four wells in the Kul-bas (Klymene) field during the quarter, three wells under a pilot production project and one exploration well during testing;
- In December, 2021 the Group agreed a contract for the sale of 50,000 tons of crude oil at a minimum price of $265 per ton, including 12% VAT. In accordance with the terms of the contract, payment of $13,250,000 was received in advance from the buyer. The delivery obligation was completed in April 2022. Oil revenue for the quarter was $12.6 million or $30.98/bbl;
- Oil production costs were $2.8 million or $6.67/bbl resulting in a contribution of $24.31/bbl. In Q1 2021 there was only a small amount of test production.

Gas

- Gas production averaged 1,730 boe/d compared with 1,996 boe/d in Q1 2021, a 13% decrease reflecting a natural decline in production;
- Gas revenue of $1.3 million for the quarter is based on a price of $50/Mcm although the price from January 1, 2022 has not been confirmed, refer to page 6 for further details. This compares with an average price of $75.85/Mcm in Q1 2021;
- Gas production costs for the quarter were similar to Q1 2021 on a unit of production basis at around $44/Mcm resulting in a contribution of $6.22/Mcm (Q1 2021: $31.62).

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 Group'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 maturing large exploration prospects within our highly-attractive frontier acreage. The Group produces both oil and natural gas in Kazakhstan.

The Group'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 Group regularly considers farm-out/farm-in and joint venture opportunities and new projects which provide synergy with the Group's activities. Meanwhile, the specific focus of management in the short term is to:

- Continue our development of the Group's oil & gas fields to increase production levels and revenues, in particular the Kul-bas (Klymene) oil field where we are working towards a full commercial production license;

- Obtain required approvals for recently drilled wells and upcoming license renewals; and

- Fund the Group's development plans from existing resources by working in collaboration with our service providers and oil & gas customers.

Significant events and transactions for the three months ended March 31, 2022

- *McDaniel & Associates estimates of oil & gas reserves and economic evaluation*

  The Group's "Proved" 1P reserves at December 31, 2021 were 41.9 million BOE (2020: 36.7 million BOE) and "Proved + Probable" 2P reserves were 79.3 million BOE (2020: 78.6 million BOE). The net present value after tax of the Group's 2P Kazakh reserves as at December 31, 2021 was $533.4 million (2020: $364.3 million), based on a 10% discount rate. Refer to section below headed *Reserves* for further details and basis of preparation.

- *Drilling operations*

  For details of drilling operations during the year, refer to sections below headed *Results of Operations and Operational Review – Kazakhstan, Oil operations update and Gas operations update.*

- *State of emergency due to protests in Kazakhstan*

  On January 2, 2022, rallies were held in the Mangistau region against a sharp increase in the price of liquefied gas, which later turned into mass protests across the country with economic and political demands. On January 4 and 5, 2022 protesters clashed with law enforcement officers in the city of Almaty, which resulted in damage to public and private property, looting and other crimes.

To ensure order and normalize the situation in the country, the President of the Republic of Kazakhstan introduced a State of Emergency for the period from January 5 to January 19, 2022, throughout the territory of Kazakhstan, and also received assistance from countries that are members of the Collective Security Treaty Organization. The measures taken by the President included the imposition of a curfew, strengthening measures to protect especially important state and strategic facilities, as well as facilities that ensure the vital activity of the population and the functioning of transport, the imposition of restrictions on movement, holding meetings and rallies, and other measures aimed at ensuring the safety of the population.

The Group increased salaries and wages to its employees to address affordability of fuel and has taken other appropriate measures to reduce the impact of the state of emergency in Kazakhstan on operating and financial results.

- *Normal Course Issuer Bid*

In February 2022, the Company announced that it had received TSXV approval to make a Normal Course Issuer Bid. The Company may acquire up 5,377,000 ordinary shares (roughly 5% of the shares outstanding of the Company) during the period on or about February 7, 2022 to February 7, 2023. The Company plans to use ATB Capital Markets as its member broker to conduct the purchases. Purchases will be effected through the facilities of the Exchange. Purchase and payment for the securities will be made by the Company in accordance with Exchange requirements. The price which the Company will pay will be the market price at the time of acquisition. The Board of Directors believes the shares are undervalued and any repurchases will provide a positive return on investment and enhance shareholder value.

- *The situation in Ukraine*

On February 24, 2022, the Russian Federation announced the recognition of the self-announced Luhansk People's Republic and Donetsk People's Republic independence, and the Russian military mobilized its troops to the territory of Ukraine. As a response to Russian actions, the United States, Canada, the European Union, and other states imposed severe sanctions against Russia including the banning of a number of Russian financial institutions from SWIFT, restricted transportation to and from territory of the Russian Federation, and many others, which led to the sharp devaluation of the Russian ruble and the Kazakhstani tenge. Kazakhstan and Russia have many close economic connections, for example, the vast majority of Kazakhstan oil is exported through pipelines and ports in Russia. The Group's financial position is currently not materially affected by the events in Ukraine as the Group's oil revenues are from domestic sales and made in US dollars, which reduces the Group's foreign exchange risk. The management of the Group is continuing to assess the potential impact of these events on the Group.

- *Oil sales agreement*

On March 3, 2022 the Group agreed a contract for the sale of 50,000 tons of crude oil at a minimum price of $385 per ton ($48 per bbl), including 12% VAT. In accordance with the terms of the contract, payment of $19,250,000 was received in advance from the buyer.

Operational Review - continued

Significant events and transactions subsequent to the period end

- *Gas sales*

  On April 28, 2022 the Group received a letter from its gas customer, a Kazakhstan state-owned enterprise, proposing (i) a new gas sales pricing mechanism to apply with effect from January 1, 2022, (ii) a minimum and maximum gas price and (iii) further negotiation of the pricing mechanism at its offices. The proposed pricing mechanism would result in a substantially lower gas price than the Group received during 2021 and is unlikely to be uneconomic. The Group plans to engage with the customer to reach a mutually acceptable outcome on gas pricing while, at the same time, considering other options for the sale of its gas production and the possible impact on its future development plans.

Reserves

Following the completion of the annual evaluation of the Kazakhstan reserves by the independent qualified reserves evaluator, McDaniel & Associates, of Calgary, Canada, in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators ("NI 51-101"), the Group's Total Gross (i.e. before the application of Kazakh Mineral Extraction Tax) Oil and Gas Reserves consisting of “Proved” 1P reserves were 41.9 million BOE (2020: 36.7 million BOE) and “Proved + Probable” 2P reserves were 79.3 million BOE (2020: 78.6 million BOE).

The net present value after tax of the Group's 2P Kazakh reserves as at December 31, 2021 was $533.4 million (2020: $364.3 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.

Results of Operations and Operational Review - Kazakhstan

Oil production

	2022					2021				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m3	barrels	barrels	days	bopd	m3	barrels	barrels	days	bopd
Q1	66,648	419,205	419,205	90	4,658	1,308	8,227	8,227	90	91
Total	**66,648**	**419,205**	**419,205**	**90**	**4,658**	**1,308**	**8,227**	**8,227**	**90**	**91**

Oil operations update

Test production from the successful KBD-02 exploration well commenced in April 2020 and continued until early January 2021 when it was closed for the required reporting and approval process. As a result, there was only a small amount of production in Q1 2021.

Production commenced from the new KBD-03 well in September 2021, with the new KBD-06 well and KBD-02 well added in October, followed by the new KBD-07 well in December. Accordingly, the Group was producing from four oil wells in the Kul-bas (Klymene) field during Q1 2022.

Operational Review - continued

The KBD-02, KBD-06 and KBD-07 wells are in the approved pilot production project which runs to the end of 2022. Production from these wells for the period October 15, 2021 to March 31, 2022 was 67,416 tons (536,494 bbls) and the pilot production project allows a production quota of 123,000 tons (978,834 bbls) for 2022. The Group is working in the near-term to extend the pilot production project. In the medium-term the Group is working towards obtaining a full commercial production license in 2024.

Historically, the Group has produced oil under a pilot license project which requires all production to be sold domestically. A commercial production licence will require investment in additional infrastructure, including a gas utilisation facility, but should allow a percentage of oil to be sold for higher export prices.

KBD-03 is an appraisal well located outside the area covered by the pilot production project. Production from KBD-03 was 25,386 tons (202,023 bbls) for the period August 31, 2021 to March 31, 2022. Drilling of a second appraisal well, KBD-08, was completed on January 1, 2022 and is currently being tested. The Group can produce from appraisal wells outside the pilot production project for a maximum of 90 days from each zone. The Group anticipates producing from KBD-03 until June 2022 and from KBD-08 until August 2022 after which the wells will be shut in for the required reporting and approval process. Once approval has been given for these two wells they are expected to be added again to production in the second half of 2023. Further details on these wells are shown in the following table.

Well name	Drilling start & end date	Development object	Perforation date (testing days)	Perforation intervals	Oil production volumes upon objects testing bbls	Commission date	Oil production volume as of 31.03.2022 bbls
KBD-02	19/07/2019 06/10/2019	Jurassic	05/04/2020 (90 days)	2,403-2,441 38 meters	32,268	15/10/2021	160,196
		Lower Cretaceous	11/07/2020 (84 days)	2,136-2,152 15.5 meters	204,394		
		Upper Cretaceous	10/10/2020 (87 days)	2,035-2,022 2,014-2,009 18.3 meters	160,321		
KBD-03	01/05/2021 27/07/2021	Jurassic	31/08/2021 (90 days)	2,403-2,441 38 meters	41,141	Tba	202,023
		Lower Cretaceous	15/12/2021	2,136-2,151 15.5 meters	11,804		
		Upper Cretaceous	Tba	Tba	Tba		
KBD-06	19/05/2021 25/07/2021	Lower Cretaceous	14/10/2021	2,137-2,146 9.4 meters	-	15/10/2021	334,716
KBD-07	08/10/2021 20/12/2021	Jurassic	27/12/2021	2,399-2,420 2,424-2,438 34.7 meters	-	28/12/2021	41,582

The Group plans to drill up to three further exploration wells in the Kul-bas Exploration Contract area in 2022, KBD-04, KBD-05 and KBD-09.

Operational Review - continued

Gas production – Kyzyloi and Akkulka Contracts

	2022				2021			
	Mcm	**Mcf**	**Mcm/d**	**Boe/d**	**Mcm**	**Mcf**	**Mcm/d**	**Boe/d**
Kyzyloi								
Q1	18,678	659,531	208	1,221	21,154	746,942	235	1,383
Total	**18,678**	**659,531**	**208**	**1,221**	**21,154**	**746,942**	**235**	**1,383**
Akkulka								
Q1	7,775	274,542	86	508	9,371	330,898	104	613
Total	**7,775**	**274,542**	**86**	**508**	**9,371**	**330,898**	**104**	**613**
Grand total	**26,453**	**934,073**	**294**	**1,729**	**30,525**	**1,077,840**	**339**	**1,996**

Gas operations update

The Group produced dry gas from a total of 21 wells at a depth of approximately 480-600m below surface, comprising 13 producing wells in the Kyzyloi field and 8 in the Akkulka field. Gas production for the quarter decreased to 294 Mcm per day compared with 339 Mcm per day in Q4 2020. No new wells were added during the year and the reduction in production from the prior year represents natural decline of the current wells as well as pressure differences at the main gas trunk-line.

Two new shallow gas wells were drilled at the end of 2021, AKK-28 and AKK-29 and both successfully tested commercial quantities of gas. The required reporting and approval process for these new wells is expected to take 8-9 months after which these wells are expected to be added to production around September 2023.

The Group had planned to conduct 900km of 2D seismic at a cost of up to $1.7 million in 2022 and drill up to eight shallow gas wells to increase gas production, four in the Kyzyloi contract area and four in the Kul-bas contract area. In view of the currently uncertainty over gas prices, these plans are being re-evaluated with further gas development on-hold until negotiations have concluded.

Financial Review

Summary of Quarterly Results

	Q1, 2022	Q4, 2021	Q3, 2021	Q2, 2021	Q1, 2021	Q4, 2020	Q3, 2020	Q2, 2020
Oil & gas sales revenues	13,903	9,054	2,516	1,952	2,384	4,414	2,148	2,977
Profit/(loss) for the period	7,385	(3,023)	(108)	(765)	(93)	(34,756)	(240)	3,907
Earnings/(loss) ($) per share	0.07	(0.04)	(0.00)	(0.01)	(0.00)	(0.35)	(0.00)	0.04
Adjusted EBITDA[1]	11,525	6,945	1,064	511	1,127	2,459	1,220	1,885
Capital expenditure	3,301	7,884	4,004	2,767	836	7,976	1,385	289
Total assets	77,361	73,944	58,553	54,691	52,751	53,817	92,304	92,459
Cash & cash equivalents	11,651	9,277	658	508	433	1,747	4,575	650
Short & long term borrowings	6,872	6,578	6,298	6,034	5,785	5,549	9,572	13,159
Total non-current liabilities	15,335	16,603	13,050	12,657	15,574	11,867	16,632	16,320
Net (cash/debt)[1]	(4,779)	(2,699)	5,640	5,526	5,352	3,802	4,997	12,509
Number of common shares outstanding	107,339,814	107,548,114	107,548,114	107,548,114	104,955,999	104,955,999	104,955,999	104,955,999

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 14 for details. (Net cash/debt excludes obligation of prepayment)

Profit/(loss) for the period

	Three months ended March 31		
	2022	2021	Change
Sales revenues	13,903	2,384	483%
Production expenses	(1,429)	(613)	133%
Depreciation, depletion & amortisation	(2,002)	(749)	167%
Impairment charges	(1,140)	-	-
Administrative expenses	(888)	(734)	21%
Share-based payments	(42)	-	-
Other gains and losses	11	-	-
Foreign exchange gain	1,121	90	1146%
Finance costs	(287)	(265)	8%
	(4,656)	**(2,271)**	**105%**
Profit before tax	**9,247**	**113**	**8083%**
Taxation	(1,862)	(206)	804%
Profit/(loss) for the period	**7,385**	**(93)**	**(8041%)**

Profit after tax for the quarter was $7.4 million compared with a loss of $0.1 million in Q1 2021, the principal variances being:

- Higher profit contribution from oil production offset by lower contribution from gas production;
- Higher production expenses, DD&A and tax charge from oil production;
- A $1.1 million impairment charge relating to the unsuccessful AKD-13 exploration well; and

- A $1.1 million foreign exchange gain from changes in the Kazakhstan tenge and US dollar exchange rate.

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

Sales revenue

	Quarter ended March 31		
	2022	**2021**	**Change**
Summary by product & region			
Kazakhstan - Oil	12,611	113	11060%
Kazakhstan - Gas	1,292	2,271	(43%)
Total	**13,903**	**2,384**	**483%**

Kazakhstan – Oil revenue

- Oil revenue for the quarter was $12.6 million (Q1 2021: $0.1 million) or $30.98/bbl (Q1 2021: $13.16).

- Production was from four wells in the Kul-bas (Klymene) field, three wells under a pilot production project and one exploration well.

- In December, 2021 the Group agreed a contract for the sale of 50,000 tons of crude oil at a minimum price of $265 per ton, including 12% VAT. In accordance with the terms of the contract, payment of $13,250,000 was received in advance from the buyer. The delivery obligation was completed in April 2022.

Kazakhstan - Gas revenue

- Gas revenue was $1.3 million for the quarter (Q1 2021: $2.3 million) based on a price of $50/Mcm (Q1 2021: $79.62/Mcm). The price from January 1, 2022 has not been confirmed, refer to page 6 for further details.

Oil and gas contracts are subject to price risk – refer to page 17 – “*Sensitivities*”.

Financial Review - continued

Production expenses

	Units	Quarter ended March 31 2022	2021	Change
Kazakhstan direct production expenses				
Oil production	$000's	1,028	209	392%
Gas production	$000's	401	404	(1%)
Total	**$000's**	**1,429**	**613**	**133%**
Administrative expenses				
Oil production	$000's	262	229	14%
Gas production	$000's	262	229	14%
Corporate	$000's	364	276	88%
Total	**$000's**	888	734	21%
Depreciation, depletion & amortisation				
Oil production	$000's	1,507	32	4609%
Gas production	$000's	495	717	(31%)
Total	**$000's**	2,002	749	167%
Oil				
Total cost of production	$000's	2,797	470	495%
Production	bbls	419,205	8,227	4995%
Cost per unit of production	$/bbl	6.67	57.13	(88%)
Gas				
Total cost of production	$000's	1,158	1,350	(14%)
Production	boe	155,689	179,651	(13%)
Cost per unit of production	$/boe	7.44	7.51	(1%)
Production	Mcm	26,453	30,525	(13%)
Cost per unit of production	$/Mcm	43.78	44.23	(1%)
Oil and gas weighted average cost	$/boe	6.88	9.69	(29%)

Kazakhstan – oil production

Oil production costs comprising direct production costs, administrative expenses and depreciation, depletion and amortisation were $2.8 million (Q1 2021: $0.5 million) or $6.67/bbl (Q1 2021: $57.13). There was only a small amount of test production in Q1 2021. These costs reflect production from four wells in the quarter compared with a small amount of test production from one well in Q1 2021.

Kazakhstan – gas production

Gas production costs comprising direct production costs, administrative expenses and depreciation, depletion and amortisation were $1.2 million (Q1 2021: $1.4 million) or $43.78/Mcm (Q1 2021: $44.23/Mcm).

Financial Review - continued

Administrative expenses

	Quarter ended March 31		
	2022	2021	Change
Staff and director costs	474	434	9%
Professional fees	241	130	85%
Other administrative expenses	173	170	1%
Total	**888**	**734**	**21%**
G&A expenses per boe ($)	1.54	3.91	(61%)

Administrative costs higher in the quarter due to a greater use of consultants reflecting the greater demand for specialist input as the Group's production and oil & gas field development increase in scale and complexity.

Foreign exchange gain

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:$ exchange rate which started the quarter at 432 before rising as high as 512 in March and ending the quarter at 458.

Finance costs - net

Finance costs comprise interest expense on borrowings net of interest income on cash balances.

Taxation

The tax charge for the quarter was $1.9 million (Q1 2021: $0.2 million) reflecting the expected full year effective tax rate adjusted for on-off items which were recognised in full during the quarter.

Liquidity and Capital Resources

The Group reported a profit before tax of $9.2 million (2021 full year: $3.8 million) and a profit after tax of $7.4 million (2021 full year: $4.0 million loss) while Adjusted EBITDA, a non-GAAP measure, was $11.5 million (2021 full year: $9.6 million). Cash flow from operating activities was $15.2 million (2021 full year: $14.9 million).

The Group's accumulated deficit at March 31, 2022 was $399.2 million (December 31, 2021: $406.6 million) and working capital (current assets minus current liabilities) was negative $15.6 million (December 31, 2021: negative $21.5 million).

The Group'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 Group seeks additional financing based on the results of these processes.

The Group's capital structure is comprised of shareholders' equity and borrowings, net of cash and cash equivalents.

The Group'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 Group is managed and adjusted to reflect changes in economic conditions.

The Group has funded its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity and 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 Group'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.

Going Concern

In assessing its going concern status, the Group has taken account of its principal risks and uncertainties, financial position, sources of cash generation, anticipated future trading performance, its borrowings, and its capital expenditure commitments and plans.

To assess the resilience of the Group's going concern assessment in light of the sanctions imposed on certain Russian institutions and individuals by the global community in February 2022 and subsequently, that could impact the oil price received by the Group, management performed the following downside scenario that is considered reasonably possible over the next 12 months from the date of approval of the consolidated financial statements. As such, this does not represent the Group's 'best estimate' forecast, but was considered in the Group's assessment of going concern, reflecting the current evolving circumstances and the most significant and reasonably possible risk identified at the date of approving the condensed consolidated interim financial statements.

Scenario: The Group's income and profits are materially reduced due to oil prices received during the forecast period being 25% lower than the current contractual price.

The Group would seek to mitigate this by reducing discretionary capital expenditure, including one or more of the three Kul-bas exploration wells and the eight shallow gas wells the Group is planning to drill in 2022.

The Group's forecast net cashflows under the downside scenario above is considered to be adequate to meet the Group's financial obligations as they fall due over the next 12 months. This includes $2.8 million due for repayment of the Gemini loan in October 2022 and $6.3 million due for repayment of the convertible debenture in April 2023, although it is currently anticipated that the debenture will be converted into shares with no impact on the Group's cash flows. After these loans have been repaid the Group will have no borrowings.

The Board of Directors is therefore satisfied that the Group's forecasts and projections, including the downside scenario above, show that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that it is appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended March 31, 2022.

Financial Review - continued

Cash Flow

	Quarter ended March 31		
	2022	**2021**	**Change**
Net cash from/(used in) operating activities	**15,180**	**(680)**	**(2332%)**
Capital expenditure	(3,301)	(836)	295%
Net changes in working capital	(8,892)	231	(3949%)
Other investing cash flows	86	14	514%
Net cash used in investing activities	**(12,107)**	**(591)**	**1952%**
Share repurchases	(161)	-	-
Net cash used in financing activities	**(161)**	**-**	**-**
Effect of exchange rates	(538)	(43)	(1151%)
Net increase/(decrease) in cash	**2,374**	**(1,314)**	**(281%)**
Cash & cash equivalents at beginning of period	9,277	1,747	431%
Cash & cash equivalents at end of period	**11,651**	**433**	**2591%**

Operating activities

Net cash from operating activities for the quarter was significantly higher than in Q1 2021 due to the receipt during the quarter of a $19.3 million prepayment received from the Group's oil customer. This was partly utilized to meet supplier obligations including the drilling contractor.

Investing activities

Capital expenditure payments made during the quarter were mainly to the Group's drilling contractor.

Financing activities

In accordance with the previously announced share re-purchase program described on page 5 the Company purchased 208,300 of its shares during the quarter for cancellation.

Accounting policies, changes to accounting standards and critical estimates

The Group's significant accounting policies and discussion of changes to accounting standards are disclosed in note 2 of the March 31, 2022 condensed consolidated interim financial statements. Refer to note 4 of the 2021 audited consolidated financial statements for information on the Group's significant judgments and assumptions and critical estimates.

Off-Balance Sheet Arrangements

The Group 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 Group's principal business activities prior to how these activities are financed, assets are depreciated and amortized, or how results are taxed in various jurisdictions.

Financial Review - continued

The reconciliation of Adjusted EBITDA to profit/(loss) for the period is as follows:

	Quarter ended March 31		
	2022	**2021**	**Change**
Profit/(loss) before taxation	9,247	113	8083%
Depreciation, depletion and amortization	2,002	749	167%
Other gains and losses	(11)	-	-
Finance costs - net	287	265	8%
Adjusted EBITDA	**11,525**	**1,127**	**923%**

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 March 31		
	2022	**2021**	**Change**
Total financial liabilities - borrowings	6,872	5,785	19%
Less: cash and cash equivalents	(11,651)	(433)	2591%
Net debt	**(4,779)**	**5,352**	**(189%)**
Total equity	29,625	24,827	19%
Total capital	**24,846**	**30,179**	**(18%)**

Refer to the section above *"Liquidity and capital resources"* for a description of the Group'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 Group's financial results. These measures may not be comparable to similar measures presented by other entities.

Stockholder Equity

As at March 31, 2022 the Company had authorised share capital of 145,000,000 (2020: 145,000,000) ordinary shares of which 107,339,814 (March 31, 2021: 104,955,999) had been issued and 50,000,000 (March 31, 2021: 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 options issued under the Company's Long Term Stock Incentive Plan and outstanding as at March 31, 2021 was 1,877,188 (March 31, 2020: 1,277,188). Loan facilities are in place which are convertible into a total of up to 17,437,354 (March 31, 2021: 17,437,354) 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 Group's commitments and contingencies including litigation, claims and assessments, work programme commitments and operating leases are provided in note 21 of the 2021 consolidated financial statements.

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

Contractual obligations	Total	Payments due by period Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Borrowings	8,223	2,818	5,405	-	-
Kazakhstan work programme commitments	40,312	12,261	11,585	8,296	8,170
Trade and other payables	6,792	6,792	-	-	-
Provisions	2,984	557	331	1,204	892
Total contractual obligations	**58,311**	**22,428**	**17,321**	**9,500**	**9,062**

Risks, uncertainties and other information

Risk management is carried out by senior management as well as the Board of Directors. The Group 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 Group'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 Group's exposure to these risks and how this is managed is given in note 3 to the consolidated financial statements for the year ended December 31, 2021. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors has overall responsibility for the Group's management of risk, including the identification and analysis of risks faced by the Group 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 sales contracts denominated in tenge and is sensitive to a fluctuation in exchange rates. A 20% net price reduction from the 2021 average sales price, would result in a reduction of $1.9 million in gas revenues based on the 2021 gas sales volume of 115,647 Mcm.

Any material decline in oil prices could result in a reduction of the Group's oil revenues in Kazakhstan. For example, a 20% net price reduction from the 2021 average sales price, would result in a reduction of $1.2 million in oil revenues based on the 2021 oil sales volume of 314,143 bbls.

Critical Accounting Policies and Estimates

The annual and condensed consolidated interim financial statements of the Group 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 Group does not have any derivative financial instruments.

Significant equity investees

The Group does not have any significant equity investees.

Forward-looking statements

In the interest of providing Tethys' shareholders and potential investors with information regarding the Group, including management's assessment of the Group's 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 Group'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 Group'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 Group 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 Group's 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 Group's 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 Group's 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 Group operates; the risk associated with the uncertainties, inconsistencies and contradictions in local laws and their interpretation and application in local jurisdictions in which the Group operates; the risk of international war, hostilities and terrorist threats, civil insurrection and instability affecting countries in which the Group operates; risks associated with existing and potential future lawsuits and regulatory actions made against the Group; 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

AOT	Aral Oil Terminal LLP
Bbls	Barrels of oil
boe/d	Barrel of oil equivalent per day
bopd	Barrels of oil per day
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESP	Electrical submersible pump
GAAP	Generally accepted accounting principles
IFRS	International Financial Reporting Standards
KASE	Kazakhstan Stock Exchange
Klymene	Producing 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
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
Tethys	Tethys Petroleum Limited and subsidiary companies
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
VAT	Value added tax
YTD	Year to date cumulative
$	United States Dollar
$/bbl	$ per barrel
$/Mcm	$ per thousand cubic metre