Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended March 31, 2024

Contents

The following Management's Discussion and Analysis ("MD&A") is dated May 17, 2024 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, 2024 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2023. 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 2023 annual audited consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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 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 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The domicile of Tethys is the Cayman Islands where it is incorporated.

The Company has its primary listing on 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 2024	2023	Change
Oil and gas sales and other revenues	1,943	9,900	(80%)
(Loss)/profit for the period	(983)	2,503	-
(Loss)/earnings ($) per share - basic	(0.01)	0.02	-
Adjusted EBITDA[1]	(804)	6,070	-
Capital expenditure	1,790	2,167	(17%)

	As at March 31 2024	2023	Change
Total assets	83,084	81,161	2%
Cash & cash equivalents	1,849	7,264	(75%)
Short & long-term borrowings	-	2,675	(100%)
Total non-current liabilities	36,422	32,335	13%
Net (cash)/debt[1]	(1,110)	(4,536)	(76%)
Number of ordinary shares outstanding	114,857,248	115,075,013	(0%)

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 18 for details.

First quarter 2024 versus first quarter 2023

- Oil and gas sales revenues decreased by 80% to $1.9 million from $9.9 million. There were no oil sales in the period (2023: $9.9 million) as the wells were closed at the end of the exploration contract and pilot production project in October 2023. Some oil production from appraisal wells restarted in Q2 2024 and production from the remaining wells will restart when the Group receives a commercial production license which it hopes to receive shortly. Gas sales were $1.9 million compared with $30 thousand in the prior period. The gas price has been recorded on an estimated basis as the price has not been finalised, refer page 10 for further details;
- The loss for the quarter was $1.0 million compared with a profit of $2.5 million in Q1 2023. The reduction in profit is mainly due to the lack of any oil sales during the quarter;
- Adjusted EBITDA was negative $0.8 million compared with positive $6.1 million in Q1 2023 due to the lower oil revenues;
- Total assets increased by 2% to $83.1 million due mainly to a $5.7 million increase in property, plant and equipment offset by a reduction in cash & cash equivalents of $5.4 million;
- The Group had no borrowings at March 31, 2024 compared with $2.7 million a year earlier;
- Total non-current liabilities increased by $4.0 million to $36.4 million due to an increase in the deferred tax liabilities and the historical cost liabilities due to the government under the Kul-Bas exploration contract;
- The Group had net cash of $1.1 million compared with $4.5 million at Q1 2023 mainly reflecting cash expenditures on property, plant & equipment;
- The number of ordinary shares outstanding decreased slightly due to the cancellation of shares repurchased by the Company.

Operational Highlights

		Quarter ended March 31		
	Units	2024	2023	Change
Kazakhstan				
Oil	bopd	-	2,939	(100%)
Gas	boe/d	1,441	16	8906%
Total	boe/d	**1,441**	**2,955**	**(51%)**

Oil				
Oil production	bbls	-	264,483	(100%)
Oil sold	bbls	-	266,898	(100%)
Revenue	$'000	-	9,868	(100%)
Cost of production	$'000	1,749	3,044	(43%)
Contribution before tax	$'000	**(1,749)**	**6,824**	**-**
Revenue	$/bbl	-	36.97	(100%)
Cost of production	$/bbl	-	11.51	(100%)
Contribution before tax	$/bbl	**-**	**25.46**	**(100%)**

Gas				
Gross production	Mcm	22,035	242	9005%
Gas sold	Mcm	21,574	232	9199%
Revenue	$'000	1,942	30	6373%
Cost of production	$'000	1,387	895	55%
Contribution before tax	$'000	**555**	**(865)**	**-**
Revenue	$/Mcm	90.02	129.31	(30%)
Cost of production	$/Mcm	62.95	-	-
Contribution before tax	$/Mcm	**27.07**	**-**	**-**

Oil

- There was no oil production in the quarter compared with 2,939 bopd in Q1 2023 as the wells were closed at the end of the exploration contract and pilot production project in October 2023. Some oil production from appraisal wells restarted in Q2 2024 and production from the remaining wells will restart when the Group receives a commercial production license which it hopes to receive shortly;
- Consequently, oil revenue for the quarter was $nil compared with $9.9 million or $36.97/bbl in Q1 2023;
- Some unavoidable operating costs continued to be incurred for the oil operations, albeit at a lower level than the prior period, due to the lack of production in the quarter. Total oil costs amounted to $1.7 million compared with $3.0 million or $11.51/bbl in Q1 2023, resulting in a contribution before tax in Q1 2023 of $25.46/bbl.

Operational Highlights - continued

Gas

- Gas production averaged 1,441 boe/d compared with 16 boe/d in Q1 2023. The low level of production in the prior period was a result of the closure of the gas fields from January 5, 2023 due to the gas price dispute with the Group's customer QazaqGaz, a state-owned company with production restarting in the current quarter following progress made in negotiations with QazaqGaz;
- Gas revenue for the quarter of $1.9 million compared with $30 thousand in Q1 2023. Payment was received from QazaqGaz for gas delivered in January-April 2022 although payment for the remaining eight months of 2022 and the current quarter remains outstanding. The expected price for the current quarter is $90.02/Mcm;
- Gas production costs for the quarter were $1.4 million or $62.95/Mcm (2023: $0.9 million) and the contribution before tax from gas operations was $0.4 million (2023: negative $0.9 million) or $20.07/Mcm.

Outlook

The information provided under this heading is considered as forward looking information; as such please refer to page 21 – "*Forward Looking Statements*" of this MD&A.

The Group's objective is to become one of the leading oil and gas exploration and production company in Central Asia. The goal is to exercise capital discipline and generate cash flow from new and existing discoveries within our acreage under license. The Group seeks to provide good employment opportunities, support for the local communities and seeks to be a leading company in the economically and ecologically sensitive Aral Sea area.

The Group's long-term ambition is to achieve a significant role in the production and delivery of hydrocarbons from the Central Asian region. The specific focus of management in the short term is to:

- Continue our development of the Group's oil & gas fields and licenses to increase production levels and revenues. The particular focus is the Kul-bas oil field where we are working towards a full commercial production license;

- Continue to improve the marketing of oil and gas to achieve best prices;

- Continue to improve the logistics where the Group can increase its ability to ship oil volumes at reduced costs; and

- Continue to fund the Group's development plans from operations while exploring potential financing and partnership alternatives.

Operational Review

Significant events and transactions for the three months ended March 31, 2024

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

  The Group's "Proved" 1P reserves at December 31, 2023 were 49.5 million BOE (2022: 45.8 million BOE) and "Proved + Probable" 2P reserves were 85.7 million BOE (2022: 82.2 million BOE). The net present value after tax of the Group's 2P reserves as at December 31, 2023 was $628.7 million (2022: $610.5 million), based on a 10% discount rate. Refer to the section below headed *Reserves* for further details and basis of preparation.

- *Oil & gas operations*

  For details of oil operations during the year, refer to sections below headed *Results of Operations and Operational Review.*

- *Deferred payment obligation adjustment*

  The Group announced on February 14, 2024 that it had previously recognized in its interim financial statements a deferred payment obligation for historical costs incurred by the government on geological investigation of the Kul-Bas exploration area. The total amount of approximately $28.3 million was to be paid quarterly over a period of up to 10 years from April 2023. The equivalent amount recognized in the Group's interim financial statements was $18.1 million on a net present value basis.

  After a further examination of the nature of acquired geological information, involving communication with the State Geology Committee, the Group determined that certain costs amounting to $25.1 million do not qualify as historical costs and, therefore, are not due for reimbursement to the government and that the amount owing was in fact approximately $3.2 million payable quarterly over a period of 10 years.

  Subsequently, the Group communicated its findings to the Aktobe Tax Department and requested confirmation for the exclusion of these costs from its obligations. On February 12, 2024 the Aktobe Tax Department responded and affirmed the Group's position. As a result, the Group made an adjustment to the amounts previously recognized in its balance resulting in a reduction of the previously reported liabilities of approximately $16.1 million on a present value basis, from the abovementioned $18.1 million to $2.0 million.

Significant events and transactions subsequent to the period end

- *Regulatory matters*

  On April 5, 2024 the Group announced that it had received the permit from the Ministry of Ecology which allows for test oil production from the KBD-10 and KBD-11 wells and regarding the commercial license, the Ministry of Energy has not yet issued the official minutes of the Working Group, and the Company is trying to determine the reason for the delay.

- *Gas dispute*

  Also on April 5, 2024 the Group announced that it has been continuing to work on a resolution with QazaqGaz over the dispute on the payment of gas produced by the Group. We have been unable to come to an agreement and gas production has been shut down. Due to the shutdown of gas production, a significant number of employees may be forced to take a temporary furlough and are at risk of permanent dismissal. Sixteen employees have been put on furlough. In an effort to reduce the number of staff laid off, seventeen employees have been transferred from TethysAralGas to Kul-Bas in order to assist with the oil production on KBD-10 and KBD-11.

- *Functional currency change*

  Items included in the financial statements of all of the Company's subsidiaries have historically been measured in United States dollars ($) which was considered the currency of the primary economic environment in which they operate ("the functional currency"). Subsequent to the end of the reporting period the Group reassessed the relevant factors and determined that it was appropriate to change the functional currency of its Kazakhstan subsidiaries from United States dollars to Kazakhstan tenge. In accordance with IFRS Accounting Standards, this change will be made prospectively from the date the change was made. The Group will continue to present its consolidated financial statements in United States dollars.

Reserves

Following the completion of the December 31, 2023 annual evaluation of the Group's reserves in Kazakhstan 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 49.5 million BOE (2022: 45.8 million BOE) and "Proved + Probable" 2P reserves were 85.7 million BOE (2022: 82.2 million BOE). The net present value after tax of the Group's 2P reserves as at December 31, 2023 was $628.7 million (2022: $610.5 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

	2024					2023				
	Gross fluid		Net	Net production		Gross fluid		Net	Net production	
	m3	barrels	barrels	days	bopd	m3	barrels	barrels	days	bopd
Q1	-	-	-	90	-	42,049	264,483	264,483	90	2,939
Total	**-**	**-**	**-**	**90**	**-**	**42,049**	**264,483**	**264,483**	**90**	**2,939**

Oil production from pilot production project and appraisal wells

There was no oil production in the quarter compared with 2,939 bopd in Q1 2023 as the wells were closed at the end of the exploration contract and pilot production project in October 2023. Some oil production from the KBD-10 and KBD-11 appraisal wells restarted in Q2 2024 and production from the remaining wells will restart when the Group receives a commercial production license which it hopes to receive shortly.

The Group produced from six wells in 2023 as shown in the table on page 9.

The KBD-02, KBD-06 and KBD-07 wells were in the approved pilot production project (PPP) which initially ran until the end of 2022 but was extended until October 16, 2023. Production from these wells from January 1, 2023 until the October 16, 2023 was 836,475 barrels compared with the Group's quota under the PPP for 2023 of 1,056,257 barrels (132,729 tons). From the commencement of production until October 16, 2023 production from the PPP wells was 2,510,183 barrels.

In addition to the PPP wells, the Group has drilled five successful appraisal wells outside of the PPP area and is allowed to produce from these wells for a maximum of 90 days from each zone before the wells are closed for the required reporting and approval process.

The KBD-03 and KBD-08 appraisal wells completed their testing in 2022 and produced a total of 253,184 barrels and 226,090 barrels respectively. Test production from the KBD-04, KBD-10 and KBD-11 appraisal wells produced a total of 324,293 barrels from January 1, 2023 until October 16, 2023.

All wells were closed from the end of the exploration contract on October 16, 2023. The PPP wells are required to remain closed until the Group obtains a commercial production license although the Group received the necessary permissions to restart testing of the appraisal wells from April 2024.

Progress towards a commercial production license

The Group completed the reserve estimation for Kul-Bas and a mining allotment of 67.72 km2 was approved at the end of June 2023. The contract for a preparatory period of three years with the assigned mining allotment for the Kul-Bas exploration and production contract was signed by the MoE on July 28, 2023 and the Group has prepared a Field Development Project (FDP). In order to meet the ecological requirements, the Group needs to install gas turbines to convert the gas produced from the wells to electricity. These have been purchased and are in the process of being installed.

On January 25, 2024 the Company successfully presented the FDP to the Central Committee on Exploration and Development (CCED) The next steps were to get approval for the gas utilization program, secure ecology and gas flaring permits and successfully install the necessary equipment for the gas utilization and oil handling.

On March 20, 2024 the Group announced, regarding the commercial license, that while the Working Group for the Gas Processing Program of the MoE provided a positive review on March 1, the Ministry had still not yet issued the official minutes of the Working Group, causing a delay beyond the March 15 deadline. Consequently, Tethys had initiated the process of reapplying for the ecology permit necessary for commercial production. On April 5, 2024 the Group announced that it had received the permit from the Ministry of Ecology for test oil production from the KBD-10 and KBD-11 wells and regarding the commercial license, the Ministry of Energy has not yet issued the official minutes of the Working Group as of the date of this analysis, and the Company is trying to determine the reason for the delay.

Main facilities

Construction contractors are working on the oil handling facilities and gas turbine site. Work has been carried out to prepare the booster compressor station equipment for startup and this equipment is ready for production. The oil handling and gas utilization facilities are not yet complete, but the Group expects to have them in place and operational when the commercial license is received.

Oil prices and marketing

On November 21, 2023, the Group announced that in early 2023, the MoE issued an order restricting the export of certain refined oil products beyond the Eurasian Economic Union's territory. This regulation, in combination with effects from the war in Ukraine, has negatively impacted the price of domestic oil in Kazakhstan. The Group's oil price at the field dropped from approximately 50% of Brent at the beginning of the year to approximately 30% of Brent in October. The average price of the Group's oil sales dropped to $242 per metric ton as compared to $312 per metric ton for the same period in 2022. This decline resulted in an estimated loss in revenue in 2023 exceeding $10 million.

Given the reduction in oil prices in the Republic of Kazakhstan, Tethys is reducing its exploration and operating plans to incorporate lower oil price estimates. The priority has been to address the costs necessary for the gas utilization required for the commercial license. The Tethys board wishes to assure shareholders that Tethys will continue to work to maintain a good return on shareholders' equity on any new investment.

Operational Review - continued

Pilot production project and appraisal oil well production details

Well name	Drilling start & end dates	Zone	Perforation date (testing days)	Perforation intervals meters	Production during testing bbls	Commission date	2023 production (Total to date) bbls
KBD-02	19/07/2019 06/10/2019	Jurassic	05/04/2020 (90 days)	38.9	32,268	08/09/2022	141,875 (834,606)
		Barremian	11/07/2020 (84 days)	15.5	204,394	-	
		Aptian	10/10/2020 (87 days)	18.3	160,321	15/10/2021	
KBD-03	01/05/2021 27/07/2021	Jurassic	31/08/2021 (90 days)	38	41,142	Awaiting FDP to convert into commercial	Nil (253,184)
		Barremian	15/12/2021 (90 days)	15.5	157,397		
		Aptian	24/03/2022 (69 days)	2.0	54,645		
KBD-04	22/04/2022 08/07/2022	Jurassic	28/07/2022 (87 days)	40.5	47,988	Awaiting FDP to convert into commercial	55,852 (135,152)
		Hauterivian	11/11/2022 (83 days)	2.0	54,929		
		Upper Barremian	07/03/2023 (25 days)	2.0	32,236		
KBD-06	19/05/2021 25/07/2021	Barremian	14/10/2021	9.4	-	15/10/2021	490,695 (1,278,169)
KBD-07	08/10/2021 20/12/2021	Jurassic	27/12/2021 (204 days)	34.7	-	28/12/2021	203,902 (397,408)
		Aptian	28/07/2022	14.5	-	29/07/2022	
KBD-08	19/10/2021 01/01/2022	Jurassic	26/02/2022 (5 days)	34.5	67	Awaiting FDP to convert into commercial	Nil (226,090)
		Upper Barremian	28/05/2022 (47 days)	5.5	56,257		
		Barremian	07/07/2022 (88 days)	10	169,767		
KBD-10	17/03/2023 14/07/2023	Jurassic	-	-	-	Awaiting FDP to convert into commercial	142,318 (142,318)
		Barremian	08/08/2023 (69 days)	9.1	142,318		
		Upper Barremian	-	-	-		
KBD-11	23/01/2023 24/04/2023	Jurassic	28/04/2023 (0 days)	36.9	-	Awaiting FDP to convert into commercial	126,122 (126,122)
		Lower Barremian	21/08/2023 (56 days)	3.2	36,125		
		Barremian	19/05/2023 (43 days)	7.0	89,997		
		Upper Barremian	Outstanding	9.3	-		

* Field Development Plan (FDP)

Other activities including exploration

The Group has started negotiations with oil buyers on possible prepayments for commercial production and has been in communication with JSC KTO regarding transport of oil through KTO's pipeline network and has initiated a feasibility study. The Group is preparing a seismic campaign on the Aral-4 block that includes 700 km of 2D seismic in 2024, with an additional 300 km to be acquired later based on the results. On the Diyar block, 652 km of seismic acquisition is planned for this underexplored area. The total cost of the seismic, processing and analysis is estimated to be $1.4 million.

Gas production – Kyzyloi and Akkulka Contracts

	2024				2023			
	Mcm	Mcf	Mcm/d	Boe/d	Mcm	Mcf	Mcm/d	Boe/d
Kyzyloi								
Q1	15,704	554,511	174	1,027	177	6,246	2	12
Total	**15,704**	**554,111**	**174**	**1,027**	**177**	**6,246**	**2**	**12**
Akkulka								
Q1	6,331	223,535	70	414	65	2,305	1	4
Total	**6,331**	**223,535**	**70**	**414**	**65**	**2,305**	**1**	**4**
Grand total	**22,035**	**778,046**	**244**	**1,441**	**242**	**8,551**	**3**	**16**

Gas operations update

Gas production averaged 244 Mcm/d or 1,441 boe/d compared with only 3 Mcm/d or 16 boe/d in Q1 2023. The low level of production in the prior period was a result of the closure of the gas fields due to the gas price dispute with the Group's customer QazaqGaz, a Republic of Kazakhstan state-owned enterprise. Production restarted in January 2023 following progress made in negotiations with QazaqGaz as explained in more detail below.

On April 28, 2022 the Group received a letter from QazaqGaz proposing a new gas sales pricing mechanism to apply with effect from January 1, 2022 with a minimum and maximum gas price that, in the Group's view, was unlikely to be economic for Tethys. The Group has been engaging with QazaqGaz and the Ministry of Energy to reach a mutually acceptable outcome on past and future gas pricing while, at the same time, considering other options for the sale of its gas production. It has also been considering the possible impact on its future development plans.

On January 18, 2023, the Group announced, following the Department of Ecology's refusal to issue permission for emissions related to Kyzyloi and Akkulka gas operations, that it had temporarily shut down the gas field operations. On March 29, 2023, the Group announced that the gas field production remained closed while it continued to pursue a resolution with QazaqGaz, regarding both payment and price for gas already delivered and the terms of a new gas sales contract for future production.

On November 21, 2023 Tethys announced that it has had to forego estimated gas revenues of approximately $10 million in 2023 due to the continued dispute with QazaqGaz and that Tethys was being asked to amend its existing contract to receive a price of 60% of the price of a barrel of Brent crude oil for each thousand cubic meter of gas (approx. $51/Mcm at a Brent price of $85/bbl).

Due to the impasse with QazaqGaz, the Group did not receive any payment for the gas delivered in 2022 until December 2023 when it announced it had entered into an agreement with QazaqGaz resulting in payment for the gas delivered in the first four months of 2022 equivalent to $4.3 million.

In view of the payment received, Tethys decided to restart gas production in January 2024 and in the first quarter of 2024 production averaged 244 Mcm/d from 20 wells in the Akkulka and Kyzyloi gas fields.

On April 5, 2024 the Group announced that it has been continuing to work on a resolution with QazaqGaz over the dispute on the payment of gas produced by the Group. We have been unable to come to an agreement and gas production has been shut in. Due to the shutdown of gas production, a significant number of employees may be forced to take a temporary furlough and are at risk of permanent dismissal. Sixteen employees have been put on furlough. In an effort to reduce the number of staff laid off, seventeen employees have been transferred from TethysAralGas to Kul-Bas in order to assist with the oil production on KBD-10 and KBD-11.

Tethys management is continuing to work on resolving the remaining issues, including for the gas delivered between May and December 2022 and during the first quarter of 2024 and the terms of a gas sales contract for future production. The Group is hoping to achieve a successful negotiation, but may be forced to take the matter to arbitration if an acceptable agreement cannot be reached.

Financial Review - continued

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

Summary of Quarterly Results

	Q1, 2024	Q4, 2023	Q3, 2023	Q2, 2023	Q1, 2023	Q4, 2022	Q3, 2022	Q2, 2022
Oil & gas sales and other revenues	1,943	6,431	11,069	9,079	9,900	18,647	16,364	16,578
(Loss)/profit for the period	(983)	(1,142)	4,243	4,132	2,503	(9,223)	7,605	6,532
Basic earnings/(loss) ($) per share	(0.01)	(0.02)	0.04	0.04	0.02	(0.09)	0.07	0.06
Adjusted EBITDA[1]	(804)	5,244	7,647	6,089	6,070	12,497	13,932	13,322
Capital expenditure	1,790	5,289	3,139	1,319	2,321	4,099	5,710	975
Total assets	83,084	85,331	103,606	95,849	81,161	87,266	84,131	73,133
Cash & cash equivalents	1,849	7,216	9,973	3,597	7,264	14,538	15,009	6,137
Short & long-term borrowings	-	-	-	-	2,675	2,510	4,711	7,185
Total non-current liabilities	36,422	38,264	45,572	49,484	32,335	32,488	14,602	14,008
Net (cash)/debt[1]	(1,110)	(7,202)	(6,463)	(3,578)	(4,536)	(6,834)	(2,342)	4,709
Number of common shares outstanding	114,857,248	115,075,013	115,075,013	115,075,013	115,075,013	116,107,233	107,548,114	107,548,114

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 18 for details.

Profit for the period

	Three months ended March 31		
	2024	**2023**	**Change**
Sales revenues	1,943	9,900	(80%)
Production expenses	(1,827)	(1,980)	(8%)
Depreciation, depletion & amortisation	(467)	(941)	(50%)
Administrative expenses	(1,132)	(1,363)	(17%)
Share-based payments	(13)	(31)	(58%)
Other losses	(76)	(108)	(30%)
Foreign exchange gain/(loss)	225	(456)	-
Finance income/(costs), net	1	(32)	-
Total expenses	(3,289)	(4,911)	(33%)
(Loss)/profit before tax	**(1,346)**	**4,989**	**-**
Corporate income tax expense	363	(2,486)	-
(Loss)/profit for the period	**(983)**	**2,503**	**-**

The loss after tax for the quarter was $1.0 million compared with a profit of $2.5 million in Q1 2023, the principal variances being:

Financial Review - continued

- Lower profit contribution from oil operations due to no oil production in the current quarter and higher contribution from gas operations due to only minimal gas production in the prior period;

- Lower depreciation, depletion & amortisation due to the lack of oil production;

- Lower administration expenses, mainly staff related;

- A $0.2 million foreign exchange gain (Q1 2023: $0.5 million loss) from changes in the Kazakhstan tenge and US dollar exchange rate; and

- Tax credit of $0.4 million (Q1 2023: $2.5 million charge) based on the estimated effective tax rate for the 2024 financial year.

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		
	2024	**2023**	**Change**
Summary by product & region			
Kazakhstan - Oil	-	9,868	(100%)
Kazakhstan - Gas	1,942	30	6373%
Kazakhstan other revenue	1	2	(50%)
Total	**1,943**	**9,900**	**(80%)**

Kazakhstan – Oil revenue

- There were no oil sales in the period (2023: $9.9 million or $36.97/bbl) as the wells were closed at the end of the exploration contract and pilot production project in October 2023.

Kazakhstan - Gas revenue

- Gas revenue was $1.9 million for the quarter (Q1 2023: $30 thousand) or $93.02/Mcm. The gas field operations were shut down in early January 2023 and restarted in January 2024 following progress made with respect to pricing and payment issues with customer QazaqGaz, refer to page 10 for further details.

Oil and gas contracts are subject to price risk – refer to page 20 – "*Sensitivities*".

Financial Review - continued

Production expenses

		Quarter ended March 31		
	Units	**2024**	**2023**	**Change**
Kazakhstan direct production expenses				
Oil production	$000's	1,117	1,344	(17%)
Gas production	$000's	710	636	12%
Total	**$000's**	**1,827**	**1,980**	**(8%)**
Administrative expenses				
Oil production	$000's	632	764	(17%)
Gas production	$000's	210	254	(17%)
Corporate	$000's	290	345	(17%)
Total	**$000's**	**1,132**	**1,363**	**(17%)**
Depreciation, depletion & amortisation				
Oil production	$000's	-	936	(100%)
Gas production	$000's	467	5	9240%
Total	**$000's**	**467**	**941**	**(50%)**
Oil				
Total cost of production	$000's	1,749	3,044	(43%)
Production	bbls	-	264,483	(100%)
Cost per unit of production	$/bbl	-	11.51	(100%)
Gas				
Total cost of production	$000's	1,387	895	55%
Production	boe	129,683	1,425	9000%
Cost per unit of production	$/boe	10.70	628.07	(98%)
Production	Mcm	22,035	242	9000%
Cost per unit of production	$/Mcm	62.95	3,698.35	(98%)
Oil and gas weighted average cost	$/boe	24.18	14.81	63%

Kazakhstan – oil production

Despite the lack of oil production in the quarter some unavoidable operating costs continued to be incurred. Total oil costs comprising direct costs, administrative expenses and depreciation, depletion and amortisation were $1.7 million (Q1 2023: $3.0 million or $11.51/bbl).

Kazakhstan – gas production

Gas production costs comprising direct production costs, administrative expenses and depreciation, depletion and amortisation were $1.4 million or $62.95/Mcm (Q1 2023: $0.9 million). A large proportion of the gas costs are fixed and continued to be incurred in the prior period notwithstanding the shut-down of the gas field operations in January 2023.

Financial Review - continued

Administrative expenses

	Quarter ended March 31		
	2024	2023	Change
Staff and director costs	797	960	(17%)
Professional fees	177	198	(11%)
Other administrative expenses	158	205	(24%)
Total	**1,132**	**1,363**	**(17%)**
G&A expenses per boe ($)	8.71	5.13	72%

Administrative costs lower in the quarter due to lower personnel costs and professional fees.

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, principally from variations in the KZT:$ exchange rate.

Finance costs - net

Finance costs comprise interest accretion on historical cost liabilities and asset retirement provision net of interest income on cash balances. In the prior period finance costs also included interest on borrowings which were fully repaid in April 2023.

Taxation

The tax credit for the quarter was $0.4 million (Q1 2024: charge of $2.5 million) reflecting the expected full year effective tax rate for Kazakhstan profit taxes and withholding taxes.

Liquidity and Capital Resources

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.

Risks and uncertainties facing the Group include the risk that oil and gas prices may be significantly lower than assumed in the Group's forecasts, that the restart of gas production may be delayed if the issues with Qazaq gas over the price for 2022 gas deliveries and 2024 production are not resolved and that the start of commercial oil production in Kul-Bas may be delayed if the Group does not receive all the required approvals and permits for it to be awarded a commercial production licence on a timely basis.

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 2023 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 March 31, 2024. 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 consolidated financial statements.

Scenario: The Group's income and profits are materially reduced due to a 25% reduction in expected oil prices and a delay in the restart of gas production.

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.

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 March 31, 2024 and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the period ended March 31, 2024.

Financial Review - continued

Cash Flow

	Quarter ended March 31		
	2024	**2023**	**Change**
Net cash used in operating activities	**(3,597)**	**(2,603)**	**38%**
Acquisition of assets	(1,790)	(2,167)	(17%)
Net changes in working capital	-	(154)	(100%)
Other investing cash flows	20	199	(90%)
Net cash used in investing activities	**(1,770)**	**(2,122)**	**(17%)**
Dividend paid	-	(2,621)	(100%)
Share repurchases	-	(44)	(100%)
Net cash used in financing activities	**-**	**(2,665)**	**(100%)**
Effect of exchange rates	-	116	(100%)
Net decrease in cash	**(5,367)**	**(7,274)**	**(26%)**
Cash & cash equivalents at beginning of period	7,216	14,538	(50%)
Cash & cash equivalents at end of period	**1,849**	**7,264**	**(75%)**

Operating activities

Net cash used in operating activities for the quarter of $3.6 million (Q1 2023: $2.6 million) was a net cash outflow due mainly to no oil production in the period, although a $0.7 million prepayment for oil sales was received, and no gas receipts.

Investing activities

Capital expenditure payments made during the quarter were to the Group's drilling contractor and for gas processing equipment. Q1 2023 capital expenditure payments were mainly to the drilling contractor.

Financing activities

There were no dividends or share repurchases in the period compared with $2.6 million and $44 thousand respectively in the prior period.

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, 2024 condensed consolidated interim financial statements. Refer to note 4 of the 2023 audited consolidated financial statements for information on the Group's significant judgments and assumptions and critical estimates.

Financial Review - continued

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. The reconciliation of Adjusted EBITDA to profit before taxation is as follows:

	Quarter ended March 31		
	2024	**2023**	**Change**
(Loss)/profit before taxation	(1,346)	4,989	-
Depreciation, depletion and amortization	467	941	(50%)
Other losses	76	108	(71%)
Finance (income)/costs - net	(1)	32	-
Adjusted EBITDA	**(804)**	**6,070**	**-**

Net debt

Net debt is calculated as total borrowings and deferred revenue less cash and cash equivalents. Total capital is calculated as equity (minus) or plus net (cash)/debt. All figures are as stated in the statements of financial position for the respective reporting periods.

	As at March 31		
	2024	**2023**	**Change**
Total financial liabilities - borrowings	-	2,675	(100%)
Deferred revenue	739	53	1294%
Less: cash and cash equivalents	(1,849)	(7,264)	(75%)
Net (cash)/debt	**(1,110)**	**(4,536)**	**(76%)**
Total equity	41,222	34,985	18%
Total capital	**40,112**	**30,449**	**31%**

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, 2024 the Company had authorised share capital of 145,000,000 (2023: 145,000,000) ordinary shares of which 114,857,243 (March 31, 2023: 115,075,013) had been issued and 50,000,000 (March 31, 2023: 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, 2024 was 1,802,188 (March 31, 2023: 1,877,188).

There were no warrants outstanding at March 31, 2024 (March 31, 2023: nil).

No loan facilities were in place as at March 31, 2024 or at the date of this MD&A which were convertible into ordinary shares (March 31, 2023: 8,718,677).

There were no changes after March 31, 2023 and up to the date of this MD&A.

Dividends

On January 18, 2023, the Company announced the approval of a quarterly dividend of 3 CAD cents per ordinary share with a record date of January 26, 2023 and payment date of February 9, 2023. The total amount of the dividend was $2.6 million.

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 and work programme commitments are provided in note 18 of the 2023 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:

	Total	Payments due by period			
Contractual obligations		**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Kazakhstan work programme commitments	39,217	5,331	8,508	23,170	2,208
Trade and other payables	7,170	4,547	636	636	1,351
Provisions	3,525	1,879	-	846	800
Total contractual obligations	**49,912**	**11,757**	**9,144**	**24,652**	**4,359**

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 2024 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, 2023. 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

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 2023 average sales price, would result in a reduction of $6.8 million in oil revenues based on the 2023 oil sales volume.

There was negligible gas production and sales in 2023 although based on a reasonably possible price of $90/Mcm and volume of 100,000 Mcm per annum a 20% net price reduction would result in a reduction of $1.8 million in gas revenues.

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 2023 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

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
GAAP	Generally accepted accounting principles
IFRS	International Financial Reporting Standards
KASE	Kazakhstan Stock Exchange
KBD	Kul-bas Deep well in the Kul-bas Exploration Contract area
Kul-Bas	The Kul-Bas Exploration Contract area held by Kul-Bas LLP
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
MoE	Ministry of Energy
NI 51-101	National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities of the Canadian Securities Administrators
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