

Tethys Petroleum Limited

Management's Discussion and Analysis
for the period ended March 31, 2025

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The following Management's Discussion and Analysis ("MD&A") is dated May 29, 2025 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, 2025 as well as the audited consolidated financial statements and the MD&A for the year ended December 31, 2024. 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 2024 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").

Field Code Char

Field Code Char

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		
	2025	2024	Change
Oil and gas sales and other revenues	3,972	1,943	104%
Profit/(loss) for the period	276	(983)	-
Earnings/(loss) (\$) per share - basic	0.00	(0.01)	-
Adjusted EBITDA ¹	1,510	(791)	-
Capital expenditure	2,035	1,790	14%

	As at March 31		
	2025	2024	Change
Total assets	56,640	83,084	(32%)
Cash & cash equivalents	4,541	1,849	146%
Short & long-term borrowings	-	-	-
Total non-current liabilities	28,038	36,422	(23%)
Net (cash)/debt ¹	(3,210)	(1,110)	189%
Number of ordinary shares outstanding	114,857,248	114,857,248	-

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 17 for details.

First quarter 2025 versus first quarter 2024

- Oil and gas sales revenues for the increased by 104% to \$4.0 million from \$1.9 million. Oil sales for the quarter were \$4.0 million (2024: \$nil). The wells were closed at the end of the exploration contract and pilot production project in October 2024 and oil production recommenced in April 2024. There were no gas sales for the quarter compared with \$1.9 million in Q1 2024. Gas production resumed in April 2025 following resolution of the contractual dispute with QazaqGaz;
- The profit for the quarter was \$0.3 million compared with a loss of \$1.0 million in Q1 2024. The increase in profit was mainly due to the higher oil and gas sales revenues;
- Adjusted EBITDA was \$1.5 million compared with negative \$0.8 million in Q1 2024 due to the higher revenues and lower production and administrative expenses;
- Total assets decreased by 32% from \$83.1 million to \$56.6 million due mainly to the effect of foreign currency translation following devaluation of the Kazakhstan tenge;
- The Group had no borrowings at March 31, 2025 or March 31, 2024;
- Total non-current liabilities decreased by 23% million from \$36.4 million to \$28.0 million due to a decrease in deferred tax liabilities;
- The Group had net cash of \$3.2 million compared with \$1.1 million at Q1 2024, refer to page 16 for further details;
- The number of the Company's ordinary shares outstanding remained unchanged.

Operational Highlights

	Units	Quarter ended March 31		
		2025	2024	Change
Kazakhstan				
Oil	bopd	1,718	-	-
Gas	boe/d	3	1,441	(100%)
Total	boe/d	1,721	1,441	19%

Oil				
Oil production	bbls	154,639	-	-
Oil sold	bbls	155,481	-	-
Revenue	\$'000	3,972	-	-
Cost of production	\$'000	2,318	1,749	33%
Contribution before tax	\$'000	1,654	(1,749)	-
Revenue	\$/bbl	25.55	-	-
Cost of production	\$/bbl	14.99	-	-
Contribution before tax	\$/bbl	10.56	-	-

Gas				
Gross production	Mcm	45	22,035	(100%)
Gas sold	Mcm	-	21,574	(100%)
Revenue	\$'000	-	1,942	(100%)
Cost of production	\$'000	541	1,387	(61%)
Contribution before tax	\$'000	(541)	555	-
Revenue	\$/Mcm	-	90.02	(100%)
Cost of production	\$/Mcm	-	62.95	(100%)
Contribution before tax	\$/Mcm	-	27.07	(100%)

Oil

- Oil production for the quarter averaged 1,718 bopd. There was no oil production in the first quarter of 2024 compared as the wells were closed at the end of the exploration contract and pilot production project in October 2023 and did not resume until April 2024;
- Oil revenue for the quarter was \$4.0 million (2024: \$ nil) or \$25.55/bbl;
- Total cost of oil production was \$2.3 million or \$14.99/bbl, resulting in a contribution before tax of \$10.56/bbl. Oil personnel costs and field maintenance costs continued to be incurred for the oil operations in Q1 2024 even though there was no production in the quarter.

Gas

- Gas production for the quarter was negligible compared with an average of 1,441 boe/d in Q1 2024. Gas production resumed in April 2025 following resolution of the contractual dispute with the Group's customer QazaqGaz, a state-owned company and the agreement of a new gas sales contract with NatGaz Company LLP;
- Gas revenue for the quarter was \$nil compared with \$1.9 million in Q1 2024, representing an estimated price receivable from QazaqGaz of \$90.02/Mcm;
- Costs of the gas operations for the quarter were \$0.5 million compared with \$1.4 million in Q1 2024 or \$62.95/Mcm and the contribution before tax in Q1 2024 was \$0.6 million or \$27.07/Mcm.

Operational Summary

Revenues for Q1 were improved from Q1 2024 but were disappointing relative to management expectations. Tethys received a production license in November 2024 after a period of being shut down. There are a number of factors which can influence the level of oil production. In addition to

Operational Highlights

the limitation of the logistics and what is allowed under the production license (currently 485 tons/day), Tethys is required to have gas treatment for the associated gas. Tethys's model has been to sell the oil for delivery in the oil field and is therefore dependent on the oil buyers in terms of the logistics. The elimination of the export of naptha has damaged the overall profitability of the mini-refineries who have been the traditional purchasers of Tethys oil. This appears to have not only impacted the price that Tethys can expect to receive but may have also impacted the ability of the mini-refineries to prepay for the oil and their ability to manage the necessary logistics. Given the remote location of the Kulbas field, an oil buyer needs to coordinate the trucking, the rail cars and coordinate with any rail terminal involved in the transshipment. The condition of the roads in March was a factor as the area went through a spring thaw as temperatures got above freezing. Given above average precipitation, it appeared the roads remained inoperable for a longer period than usual.

While management believes the logistics issues have been largely resolved, a new problem has appeared. The ratio of gas per oil produced (the GOR) has increased. While long term getting gas from the oil production will be a positive, short term it is a negative as Tethys doesn't have the necessary facilities in place to treat the full amount of gas being produced. As a result, production rates have been reduced of late to about 250 tons/day so that Tethys won't have to flare the excess gas. While it is hoped that the high GOR level may drop back to previous levels or that certain wells and zones with lower GOR ratios may be enhanced to increase the oil production without increasing the GOR, there is no certainty in this regard. Tethys is working on plans to increase the gas utilization capacity of the Kulbas field so that production can be increased to the allowed levels. The delay in getting paid for its gas, getting a new gas contract and getting the oil production license have had residuary effects on the level of cash and the Tethys's ability to fund required capital expenses.

Outlook

The information provided under this heading is considered as forward-looking information; as such please refer to page 20 “*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.

We remain confident on the future of Tethys despite the delays experienced in the production license approval and the decline in oil and gas prices. Tethys has little to no debt and has valuable operating assets. While it will be a challenge to develop the oil handling, gas utilization, gas operations and logistics necessary to increase production, we remain confident that over time these challenges and requirements can be met. We appreciate the continued support and understanding of Tethys shareholders through a more challenging period and want shareholders to know that the board and management are doing what we can to create a good company and return on investment

Significant events and transactions for the three months ended March 31, 2025

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

The Group's "Proved" 1P reserves at December 31, 2024 were 46.9 million BOE (2023: 49.5 million BOE) and "Proved + Probable" 2P reserves were 85.6 million BOE (2023: 85.7 million BOE). The net present value after tax of the Group's 2P reserves as at December 31, 2024 was \$560.4 million (2023: \$628.7 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 & gas operations during the year, refer to sections below headed *Results of Operations* and *Operational Review*.

- *Kul-Bas production contract*

On January 8, 2025, Kul-Bas LLP submitted an application to the Ministry of Energy of the Republic of Kazakhstan to transition Contract No. 1897 for the Kul Bas field to the Production Period. This extension is essential for securing the long-term development of the field, enabling the Group to continue production until July 2048 and granting the right to export hydrocarbons, thereby unlocking the field's full commercial potential.

On January 31, 2025, Kul-Bas LLP withdrew its application. While other reasons also played a part, it was determined upon further analysis that the Group would likely achieve higher revenue by continuing to sell through the current distribution channels allowed under the testing production contract rather than the distribution channels required by the production contract. The production contract would have some component allowed for the export market and some for the domestic market. Given the high taxes for sales in the export market, Tethys is currently incentivized to sell the oil for export under the allowance to domestic mini-refineries (as it is currently). The oil which would be sold under the domestic component would need to be sold to the state refineries and wouldn't be allowed to be sold to the mini-refineries. Depending on which state refinery the Ministry of Energy would require, the discount in the oil price would be estimated to be about 5-20% under current market pricing.

The current Preparatory Period production contract is set to expire on July 26, 2026. The production contract would allow Tethys to increase its production but, at present, Tethys is constrained by the limits of its current oil handling facilities where only three wells are tied into the oil gathering facility. In addition, Tethys is also constrained as the gas utilization capacity will not allow for much more production than the current allowed levels. Management estimates it will be closer to year end before these "Phase 2" infrastructure requirements will be installed. As Tethys gets closer to the time when it can enhance its production with the new infrastructure and/or sees a change in market prices where the Group will benefit from the production contract, then the Group can resubmit the application.

- *Dividend*

Operational Review - continued

While Tethys has significant upcoming capital expenditure requirements to fund for the foreseeable future, returning cash to shareholders also remains a goal for the Group. Tethys paid a \$0.01/share dividend on February 20, 2025 to shareholders of record on February 10, 2025.

Significant events and transactions subsequent to the period end

- *Resumption of gas production*

On April 10, 2025, the Group resumed production from the Akkulka and Kyzloi gas fields and started gas sales to a new buyer, NatGaz Company LLP.

- *Arbitration update*

In November of 2023, Tethys initiated an arbitration with the International Arbitration Centre regarding a Settlement Deed and Release Agreement that was entered into in December of 2019. The relief sought by Tethys was to declare that the Settlement Deed and Release is no longer binding, and for DSFK Special Finance Company LLP to pay Tethys Petroleum 1,434,692,762 KZT, and for the 18 million shares issued to Olisol Petroleum Limited to be cancelled.

On May 13, 2025 the sole Arbitrator ruled and declared that the Settlement Deed is declared no longer binding. DSFK Special Finance Company LLP is ordered to pay Tethys Petroleum Limited 1,434,692,762 KZT. Olisol Petroleum Limited is ordered to cancel share certificates GS 44 and GS 43 (totalling 18 million shares). DSFK Special Finance Company LLP and Olisol Petroleum Limited are ordered to pay Tethys 50,000 EUR and 50,000,000 KZT towards the reimbursement of the costs of the arbitration and the Company's legal costs.

The Company is in the process of determining the next steps necessary to have the arbitration ruling enforced.

Reserves

Following the completion of the 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 46.9 million BOE (2023: 49.5 million BOE) and "Proved + Probable" 2P reserves were 85.6 million BOE (2023: 85.7 million BOE). The net present value after tax of the Group's 2P reserves as at December 31, 2024 was \$560.4 million (2023: \$628.7 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

	2025					2024				
	Gross fluid m3	barrels	Net barrels	Net production days	bopd	Gross fluid m3	barrels	Net barrels	Net production days	bopd
Q1	24,586	154,639	154,639	90	1,718	-	-	-	90	-
Total	24,586	154,639	154,639	90	1,718	-	-	-	90	-

Oil production for the quarter averaged 1,718 bopd. There was no oil production in the first quarter of 2024 as the wells were closed at the end of the exploration contract and pilot production project in October 2023 and did not resume until April 2024. Test oil production from the KBD-10 and KBD-11 appraisal wells restarted in April 2024 with KBD-10 testing completed in August and KBD-11 testing completed in November. Following receipt of the necessary permits, the Group successfully commissioning the oil handling and gas utilization facilities it needed to have in place to start commercial production from KBD-02 and KBD-06 in November 2024.

Production and other information on all the Kul-Bas wells in 2025 and since the start of testing is shown in the table on page 9.

Regulatory approval progress towards commercial production

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 the preparatory period of three years with the assigned mining allotment for the Kul-Bas exploration and production contract was signed by the Ministry of Energy (MoE) on July 28, 2023 and the Group has prepared a Field Development Project (FDP). In order to meet the ecological requirements, the Group needed to instal gas turbines to convert the gas produced from the wells to electricity. On January 25, 2024, the Group 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 install the necessary equipment for the gas utilization and oil handling.

On April 5, 2024 the Group announced that it had received the necessary permit from the Ministry of Ecology for test oil production from the KBD-10 and KBD-11 and on October 18, 2024 the Group announced that it had received formal approval of the protocol necessary to advance its oil production activities. With the protocol approval received, the Group filed for a gas flaring permit and pursued the required ecological permit, the final regulatory step before starting the main oil production.

On November 11, 2024 the Group announced that it had received the necessary gas flaring permit, a critical milestone in advancing its oil production operations in Kazakhstan and that with this long-anticipated approval in hand, Tethys moved to the final regulatory step: obtaining the Ecology permit.

On November 18, 2024, Tethys received all ecological and environmental approvals for 2024, followed by the 2025 ecological permit on December 9, 2024. These approvals allow the Group to produce up to 490 tons/day under the Preparatory Period of Contract No. 1897 for the Kul Bas field, which expires on July 26, 2026. As stipulated under the Subsoil Use Code, all hydrocarbons produced during the Preparatory Period must be sold domestically.

On January 8, 2025, Kul-Bas LLP submitted an application to the Ministry of Energy of the Republic of Kazakhstan to transition Contract No. 1897 for the Kul Bas field to the Production Period. This extension is essential for securing the long-term development of the field, enabling the Group to

Operational Review - continued

continue production until July 2048 and granting the right to export hydrocarbons, thereby unlocking the field's full commercial potential. On January 31, 2025, Kul-Bas LLP withdrew its application, after determining that it would be more beneficial to continue to operate for the time being under the Preparatory Period and re-submit the application to move to the Production Period at a later date. Further details of the Group's decision in this regard are provided on page 5.

Oil production facilities

The commissioning of the Central Processing Facility (CPF) at Kul Bas was successfully completed on November 19, 2024. Additionally, the Gas Utilization Facilities (GUF) were commissioned on January 17, 2025. These developments help ensure compliance with environmental requirements and support increased levels of oil production at the field. The successful commissioning of the facilities on January 17 brings the end of the planned Phase 1 work to a conclusion. Phase 1 was to primarily handle the associated gas from the first three wells in production (KBD-2, KBD-6 and KBD-7). The current plan is to allow these oil handling and gas utilization facilities to operate for a brief period and then for management to prepare a proposal for a Phase 2 program. These new oil handling and gas utilization facilities would allow for increased levels of oil production and for bringing on wells KBD-3, KBD-4 and KBD8 (if/when the production license allows).

Marketing and logistics

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. Given the reduction in oil prices, Tethys has scaled back its exploration and operating plans to incorporate lower oil price estimates. The priority has been to address the costs necessary for the Phase 1 oil handling and gas utilization facilities.

The amount of oil that can be produced is currently limited by the logistics. The logistics is handled by the oil buyers as Tethys sells the oil at the field. The buyers' ability to handle the logistics can be influenced by the amount of trucking, rail cars, transshipment capacity (moving oil from trucks to rail cars) in the market and by the weather/road conditions. At present, Kul-Bas is selling oil primarily to mini-refineries given the higher price offered (as compared to the state refineries).

On October 8, 2024, the Republic of Kazakhstan temporarily banned the export of naptha to the Eurasian Economic Union's territory. Although the official validity of this order expired on March 29, 2025, the ban remains effectively in force and has, in practice, become permanent. Considering that the export of certain refined oil products including naptha and marine fuel to non-EAEU countries was already prohibited in 2023, the ability to export naptha to EAEU countries had been an important outlet for mini-refineries operating in Kazakhstan. This situation ultimately affects how much mini-refineries can pay Tethys for its crude oil. Tethys management estimates the impact of this change at \$47.8 per ton, or approximately \$6 per barrel. The estimated reduction in net income for 2025 is significant to Tethys.

The Group remains committed to its strategy of responsible growth and is focused on optimizing its operations while meeting all regulatory requirements.

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	2025 Production (Production to date) bbls
KBD-02	19/07/2019 06/10/2019	Jurassic	05/04/2020 (90 days)	38.9	32,268	08/09/2022	29 160 (882,154)
		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 ¹ 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 ¹ to convert into commercial	Nil (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	102 201 (1,482,206)
KBD-07	08/10/2021 20/12/2021	Jurassic	27/12/2021 (204 days)	34.7	-	28/12/2021	23 278 (420,685)
		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 ¹ to convert into commercial	Nil (226,091)
		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	17.09.2024 (0 days)	13.4	-	Awaiting FDP ¹ to convert into commercial	Nil (203,055)
		Barremian	08.08.2023 (70 days)	9.1	186,746		
		Upper Barremian	08.04.2024 (20 days)	3.0	16,313		
KBD-11	23/01/2023 24/04/2023	Jurassic	28/04/2023 (0 days)	36.9	-	Awaiting FDP ¹ to convert into commercial	Nil (339,743)
		Lower Barremian	21/08/2023 (85 days)	3.2	55,436		
		Barremian	19.05.2023 (88 days)	7.0	89,997		
		Upper Barremian	18.05.2024 (90 days)	7.0	144,902		
		Aptian	25.08.2024 (87 days)	3	49,428		

Note 1 - Field Development Project (FDP)

Operational Review - continued

Exploration activities

The Group has prepared a seismic campaign on the Aral-4 block that includes 1,000 km of 2D seismic acquisition and interpretation in 2025 at an estimated cost of \$2.2 million and, dependent on the results, the drilling of an exploration well in 2026. On the Diyar block, 346 km of seismic acquisition and interpretation has been acquired and is currently being processed for the possible drilling of an exploration well in 2026.

Gas production – Kyzylai and Akkulka Contracts

	2025				2024			
	Mcm	Mcf	Mcm/d	Boe/d	Mcm	Mcf	Mcm/d	Boe/d
Kyzylai								
Q1	-	-	-	-	15,704	554,511	174	1,027
Total	-	-	-	-	15,704	554,111	174	1,027
Akkulka								
Q1	45	1,596	1	3	6,331	223,535	70	414
Total	45	1,596	1	3	6,331	223,535	70	414
Grand total	45	1,596	1	3	22,035	778,046	244	1,441

Gas operations update

The gas fields were closed for the whole of 2023 and most of 2024 due to the long-running contractual dispute regarding the price to be paid for prior gas deliveries by the Group's customer QazaqGaz, a Republic of Kazakhstan state-owned enterprise.

On September 30, 2024, the Group announced that, after multiple rounds of negotiations regarding the settlement of the dispute, QazaqGaz improved its offer, resulting in a total receivable for gas deliveries from May 2022 to January 4, 2023, and from January 1, 2024, to March 31, 2024 amounting to approximately 3.3 billion tenge including VAT of 12%, or approximately \$6.9 million at an exchange rate of 480 tenge to the US dollar. Although the gas sale contract originally stipulated a higher price formula, the Group opted to accept the revised offer to avoid the costly and lengthy process of resolving the dispute through arbitration. Ensuring liquidity is a priority for the Group as it continues to implement its development plans for the Kul-Bas oil field and exploration program at new exploration blocks. Following receipt of the debt from QazaqGaz, the Group worked to sign a new gas sales contract and restart gas production as soon as possible.

On February 3, 2025 the Group announced it had entered into an agreement with NatGaz Company LLP to be a buyer of Tethys' natural gas. Tethys received a prepayment for future gas deliveries and an official letter that the buyer is able to start accepting the gas and the Group commenced the process of preparing the resumption of gas production and rehiring employees associated with the gas production. At current pricing, the resumption of the gas production will allow for over \$700,000/month in revenue. On April 10, 2025, the Group resumed production from the Akkulka and Kyzloi gas fields and started gas sales to NatGaz Company LLP.

Operational Review - continued

Macroeconomic and Financial Outlook

The decline in realized prices for both oil and gas is occurring in parallel with rising costs across Kazakhstan's energy sector. Inflation is estimated at approximately 20% over the past year, while the netback from oil sales has dropped significantly. These dynamics have placed additional strain on the Group's cash flow and its ability to execute capital programs as originally planned.

While the Group was close to breakeven in 2024, modest profitability is projected in 2025. However, current monthly cash flows are not sufficient to support all capital expenditures. As a result, projects are being reprioritized to focus on those expected to deliver the highest near-term cash flow benefits.

In 2021, the Group sold oil at prices above \$50 per barrel. At present, average sales prices hover around \$25 per barrel, with netbacks from state-affiliated refineries estimated between \$15 and \$25 per barrel. While Tethys currently sells oil to mini-refineries on a prepayment basis, a shift to supplying the large state-owned and state-affiliated refineries would require operating under post-payment terms — with payment received only after the oil is refined and products are sold. Management remains hopeful that international prices will recover and that the domestic discount to Brent will narrow over time.

Tethys benefits from having little to no fixed debt and continues to operate with financial discipline. Despite the ongoing economic headwinds, the Group has remained solvent—a challenge shared by many producers in Kazakhstan who operate outside Production Sharing Agreements (PSAs).

Looking ahead, increasing oil production will require not only approval of the Commercial License but also the buildout of essential infrastructure—specifically oil handling capacity, gas utilization systems, and reliable logistics. Management is focusing its next efforts on maintaining stable output from current wells, followed by bringing wells KBD-04, KBD-08, and KBD-03 online, while simultaneously expanding gas utilization capacity to meet regulatory restrictions on flaring.

In addition, the Company experienced significant delays in payment for gas deliveries to the national gas company. For nearly two years, Tethys did not receive payment for gas sold, placing added strain on liquidity. In order to resolve the situation and resume cash inflows, the Company agreed to a revised pricing arrangement at approximately half the rate originally expected under the prior contract terms as described in more detail on page 10.

Financial Review

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

Summary of Quarterly Results

	Q1, 2025	Q4, 2024	Q3, 2024	Q2, 2024	Q1, 2024	Q4, 2023	Q3, 2023	Q2, 2023
Oil & gas sales and other revenues	3,972	3,115	5,357	4,786	1,943	6,431	11,069	9,079
Profit/(loss) for the period	276	(11,818)	(613)	1,027	(983)	(1,142)	4,245	4,131
Basic earnings/(loss) (\$) per share	0.00	(0.10)	(0.01)	0.01	(0.01)	(0.02)	0.04	0.04
Adjusted EBITDA ¹	1,510	156	3,164	1,896	(791)	5,244	7,647	6,089
Capital expenditure	2,035	2,711	888	2,413	1,790	5,289	3,140	1,319
Total assets	56,640	56,231	82,148	87,035	83,084	85,331	103,606	95,849
Cash & cash equivalents	4,541	5,959	2,637	2,094	1,849	7,216	9,973	3,597
Short & long-term borrowings	-	-	-	-	-	-	-	-
Total non-current liabilities	28,038	27,117	36,542	36,618	36,422	38,264	45,572	49,484
Net (cash)/debt ¹	(3,210)	(5,094)	(1,667)	(1,223)	(1,110)	(7,202)	(6,463)	(3,578)
Number of ordinary shares outstanding	114,857,248	114,857,248	114,857,248	114,857,248	114,857,248	115,075,013	115,075,013	115,075,013

Note 1 Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 17 for details.

Profit for the period

	Three months ended March 31		
	2025	2024	Change
Sales revenues	3,972	1,943	104%
Production expenses	(1,395)	(1,827)	(24%)
Depreciation, depletion & amortisation	(697)	(467)	49%
Administrative expenses	(1,072)	(1,132)	(5%)
Share-based payments	(2)	(13)	(83%)
Other losses	(19)	(76)	(75%)
Foreign exchange gain	5	225	(98%)
Finance income, net	101	1	100%
Total expenses	(3,079)	(3,289)	(6%)
Profit/(loss) before tax	893	(1,346)	(166%)
Corporate income tax expense	(617)	363	-
Profit/(loss) for the period	276	(983)	-

The profit after tax for the quarter was \$0.3 million compared with a loss of \$1.0 million in Q1 2024, the principal variances being:

Financial Review - continued

- Higher profit contribution from oil operations due to no oil production in the prior year quarter and lower contribution from gas operations due to negligible gas production in the quarter;
- Higher depreciation, depletion & amortisation due to the higher oil production;
- Lower administration expenses, due to cost reduction measures;
- A negligible foreign exchange gain compared with \$0.2 million in Q1 2024; and
- Tax charge of \$0.6 million compared with tax credit of \$0.4 million in Q1 2024 reflecting the estimated full year effective tax rate in each 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		
	2025	2024	Change
<i>Summary by product & region</i>			
Kazakhstan - Oil	3,972	-	-
Kazakhstan - Gas	-	1,942	(100%)
Kazakhstan other revenue	-	1	(100%)
Total	3,972	1,943	104%

Kazakhstan – Oil revenue

- Oil sales for the quarter were \$4.0 million (2024: \$nil) or \$25.55/bbl. The wells were closed at the end of the exploration contract in Oct 2023. The test production was carried out from two appraisal wells KBD-10 & 11 between April 2024 and November 2024, and field oil production recommenced from 2 wells KBD-2 & 6 in November 2024 followed by KBD-7 in January 2025.

Kazakhstan - Gas revenue

- There were no gas sales for the quarter compared with \$1.9 million in Q1 2024, representing an estimated price receivable from QazaqGaz of \$90.02/Mcm. Gas production resumed in April 2025 following resolution of the contractual dispute with QazaqGaz, refer to page 10 for further details.

Oil and gas contracts are subject to price risk – refer to page 19 – “Sensitivities”.

Financial Review - continued

Production expenses

	Units	Quarter ended March 31		
		2025	2024	Change
Kazakhstan direct production expenses				
Oil production	\$000's	1,050	1,117	(6%)
Gas production	\$000's	345	710	(51%)
Total	\$000's	1,395	1,827	(24%)
Administrative expenses				
Oil production	\$000's	576	632	(9%)
Gas production	\$000's	192	210	(9%)
Corporate	\$000's	304	290	5%
Total	\$000's	1,072	1,132	(5%)
Depreciation, depletion & amortisation				
Oil production	\$000's	692	-	-
Gas production	\$000's	5	467	(99%)
Total	\$000's	697	467	49%
Oil				
Total cost of production	\$000's	2,318	1,749	33%
Production	bbls	154,639	-	-
Cost per unit of production	\$/bbl	14.99	-	-
Gas				
Total cost of production	\$000's	542	1,387	(61%)
Production	boe	266	129,683	(100%)
Cost per unit of production	\$/boe	-	10.70	(100%)
Production	Mcm	45	22,035	(100%)
Cost per unit of production	\$/Mcm	-	62.95	(100%)
Oil and gas weighted average cost	\$/boe	18.46	24.18	(24%)

Kazakhstan – oil production

Total cost of oil production which includes direct production costs, an allocation of administrative expenses and DD&A was \$2.3 million or \$14.99/bbl. Oil personnel costs and field maintenance costs continued to be incurred for the oil operations in Q1 2024 even though there was no production in the quarter.

Kazakhstan – gas production

Costs of the gas operations for the quarter were \$0.5 million compared with \$1.4 million in Q1 2024 or \$62.95/Mcm. Gas personnel costs and field maintenance costs continued to be incurred for the gas operations even though there was no production in the quarter.

Financial Review - continued

Administrative expenses

	Quarter ended March 31		
	2025	2024	Change
Staff and director costs	789	797	(1%)
Professional fees	132	177	(25%)
Other administrative expenses	151	158	(5%)
Total	1,072	1,132	(5%)
G&A expenses per boe (\$)	6.92	8.71	(21%)

Administrative costs were lower in the quarter due to lower due to the impact of cost reduction measures and also foreign currency translation.

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 deposits.

Taxation

The tax charge for the quarter was \$0.6 million (2024: \$0.4 million tax credit) reflecting the estimated full year effective tax rate in each year.

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

Financial Review - continued

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.

To assess the resilience of the Group's going concern assessment management performed the following downside scenario that is considered reasonably possible over the next 12 months from March 31, 2025. 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 33% reduction in expected oil prices.

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, 2025 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, 2025.

Cash Flow

	Quarter ended March 31		
	2025	2024	Change
Net cash from/(used) in operating activities	1,608	(3,597)	-
Acquisition of assets	(2,035)	(1,790)	14%
Other investing cash flows	14	20	(32%)
Net cash used in investing activities	(2,022)	(1,770)	14%
Dividend paid	(1,149)	-	-
Net cash used in financing activities	(1,149)	-	-
Net decrease in cash	(1,563)	(5,367)	(71%)
Effect of exchange rates on cash	145	-	-
Cash & cash equivalents at beginning of period	5,959	7,216	(17%)
Cash & cash equivalents at end of period	4,541	1,849	145%

Operating activities

Net cash from operating activities for the quarter was \$1.6 million compared with \$3.6 million used in operating activities in Q1 2024. This reflects the timing of payments for oil & gas which are mainly on received in advance on a prepayment basis but also the payment for prior gas deliveries from QazaqGaz following resolution of the long-running contractual dispute.

Financial Review - continued

Investing activities

Capital expenditure payments made during the quarter were to equipment suppliers and construction contractors for the Kul-Bas oil field facilities and in Q1 2024 were to the drilling contractor and for gas processing equipment.

Financing activities

On February 20, 2025, a dividend of \$0.01 per share was paid to shareholders of record on February 10, 2025 totalling \$1,149 thousand (2024: \$nil).

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, 2025 condensed consolidated interim financial statements. Refer to note 4 of the 2024 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. The reconciliation of Adjusted EBITDA to profit before taxation is as follows:

	Quarter ended March 31		
	2025	2024	Change
Profit/(loss) before taxation	893	(1,346)	-
Depreciation, depletion and amortization	697	467	49%
Share-based payments	2	13	(83%)
Other losses	19	76	(75%)
Finance income, net	(101)	(1)	100%
Adjusted EBITDA	1,510	(791)	-

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		
	2025	2024	Change
Total financial liabilities - borrowings	-	-	
Deferred revenue	1,331	739	80%
Less: cash and cash equivalents	(4,541)	(1,849)	146%
Net (cash)/debt	(3,210)	(1,110)	189%
Total equity	23,599	41,222	(43%)
Total capital	20,389	40,112	(49%)

Financial Review - continued

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, 2025 the Company had authorised share capital of 145,000,000 (2024: 145,000,000) ordinary shares of which 114,857,248 (March 31, 2024: 114,857,248) had been issued and 50,000,000 (March 31, 2024: 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, 2025 was 1,802,188 (March 31, 2024: 1,802,188).

There were no other potential issuable shares at December 31, 2024 (203: nil).

There were no changes after March 31, 2025 and up to the date of this MD&A.

Dividends

On February 20, 2025, the Company paid a dividend of \$0.01 cents per ordinary share with a record date of February 10, 2025 and payment date of February 9, 2024. The total amount of the dividend was \$1,149 thousand.

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 2024 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
Kazakhstan work programme commitments	307,620	87,026	201,361	19,233	-
Trade and other payables	7,139	4,834	636	636	1,033
Provisions	4,327	1,445	-	619	2,263
Total contractual obligations	319,086	93,305	201,997	20,488	3,296

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 2025 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, 2024. 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 2024 average sales price, would result in a reduction of \$2.3 million in oil revenues based on the 2024 oil sales volume.

There was negligible gas production and sales in 2024 although based on a price of \$100/Mcm and volume of 100,000 Mcm per annum a 20% net price reduction would result in a reduction of \$2.0 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 2024 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