Tethys Petroleum Limited

Management's Discussion and Analysis
for the year ended December 31, 2024

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The following MD&A is dated April 28, 2025 and should be read in conjunction with the Tethys Petroleum Limited (hereinafter "the Company") and its subsidiaries (hereinafter together with subsidiaries "the Group") audited consolidated financial statements and related notes for the year ended December 31, 2024. The accompanying consolidated financial statements of the Group have been prepared by management and approved by the Group's Audit Committee and Board of Directors. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Amounts are stated in thousands of US dollars unless otherwise noted. Additional information relating to the Group can be found on the SEDAR website *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)

	Twelve months ended December 31				
	2024	2023	Change	2022	Change
Oil and gas sales revenues	15,201	36,479	(58%)	65,492	(44%)
(Loss)/profit for the year	(12,386)	9,736	-	12,300	(21%)
(Loss)/earnings ($) per share -basic	(0.11)	0.08	-	0.11	(27%)
Adjusted EBITDA[1]	4,412	25,080	(82%)	52,459	(52%)
Capital expenditure	7,802	12,068	(35%)	22,977	(47%)

	As at 31 December				
	2024	2023	Change	2022	Change
Total assets	56,231	85,331	(34%)	87,266	(2%)
Cash & cash equivalents	5,959	7,216	(17%)	14,538	(50%)
Short & long-term borrowings	-	-	-	2,510	(100%)
Total non-current liabilities	27,117	38,264	(29%)	32,488	18%
Net (cash)/debt[1]	(5,094)	(7,202)	(29%)	(6,834)	5%
Number of ordinary shares outstanding	114,857,248	115,075,013	(0%)	116,107,233	(1%)

Note 1 - Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 22 for details.

Twelve months 2024 versus twelve months in 2023

- Oil and gas sales revenues decreased by 58% to $15.2 million from $36.5 million. Oil sales revenue was $11.4 million compared with $34.3 million in the prior year with the reduction due to lower production. Production ceased in October 2023 at the end of the pilot production project and started again in April 2024. The average price received for oil was marginally higher in 2024 than in 2023. Gas sales revenue was $3.8 million compared with $2.2 million in the prior year. There was only minimal gas production in 2023 and in 2024 there was production in Q1 only. The gas revenue amounts include adjustments relating to earlier periods as the negotiations with QazaqGaz developed and were finally agreed in 2024 with payment received for all previously delivered gas, further details are given on page 13;
- The loss for the year was $12.4 million compared with a profit of $9.7 million in 2023. The main factors for the reduction in profit were the lower oil revenues and an impairment of $20.5 million capitalised costs in the Kul-Bas contract area that are unrelated to the current Klymene field development. These reductions were offset by an income tax benefit of $6.8 million compared to a tax charge of $8.7 million in 2023;
- Adjusted EBITDA, a non-GAAP measure, was $4.4 million, a significant reduction from the $25.1 million in 2023, mainly as a result of the lower oil revenues;
- Capital expenditure of $7.8 million was lower than the $12.1 million in 2023. In both years costs were mainly payments to the drilling contractor, purchase of gas utilization equipment and construction of facilities in preparation for the restart of oil production;
- Total assets reduced by 34% to $56.2 million at the end of 2024 from $85.3 million at the end of 2023. This was mainly due to the Kul-Bas impairment and the depreciation of the Kazakhstani tenge against the US dollar from 455 to the US dollar at December 31, 2023 to 525 at December 31, 2024;
- Cash & cash equivalents were $6.0 million compared with $7.2 million at the end of the prior year. Cash inflow from operating activities was $7.0 million (2023: $10.1 million), net cash used

in investing activities was $7.6 million (2023: $11.6 million) and net cash used in financing activities was $nil (2023: $5.9 million, including repayment of borrowings of $3.1 million and dividend payment of $2.6 million);

- Total non-current liabilities decreased by 29% to $27.1 million from $38.3 million mainly due to the decrease in deferred tax liability which mainly relates to property and equipment;
- Net cash/debt (which includes deferred revenue), a non-GAAP measure, decreased from $7.2 million to $5.1 million net cash;
- The number of ordinary shares outstanding reduced marginally to 114.9 million as a result of shares repurchased and cancelled.

Twelve months 2023 versus twelve months in 2022

- Oil and gas sales revenues decreased by 44% to $36.5 million from $65.5 million. Oil sales revenue was $34.3 million compared with $60.4 million in the prior year with the reduction due to lower production volume and lower average price received. Gas sales revenue was $2.2 million compared with $5.1 million in the prior year. Gas revenue in 2023 represents an adjustment to the estimated amount receivable for gas delivered in 2022 as gas production in 2023 was minimal;
- The profit for the year was $9.7 million compared with $12.3 million in 2022. Profit before tax reduced by 55% to $18.5 million from $41.3 million mainly due to the lower oil and gas revenues and a lower depletion charge. This reduction was offset by a reduction in the tax charge to $8.7 million from $29.0 million resulting in a 21% reduction in profit for the year after tax;
- Adjusted EBITDA, a non-GAAP measure, was $25.1 million, a significant reduction from the $52.5 million in 2022, mainly as a result of the lower oil and gas revenues;
- Capital expenditure of $12.1 million was lower than the $23.0 million in 2023 and mainly comprises payments to the drilling contractor, purchase of equipment and construction of facilities in preparation for the resumption of oil production;
- Total assets reduced by 2% to $85.3 million from $87.3 million at the end of the prior year. Property, plant & equipment increased by $8.2 million which was offset by a reduction in cash & cash equivalents of $7.3 million and a reduction in trade & other receivables of $3.0 million;
- Cash & cash equivalents were $7.2 million compared with $14.5 million at the end of the prior year. Cash from operating activities was $9.8million (2022: $34.1 million), net cash used in investing activities was $11.0 million (2022: $22.5 million) and net cash used in financing activities was $5.9 million (2022: $5.2 million), including repayment of borrowings of $3.1 million (2022:$2.8 million) and dividend payment of $2.6 million (2022: $1.7 million);
- Short & long-term borrowings at December 31, 2023 were nil (2022: $2.5 million) after the Gemini debenture was repaid in April 2023. The Group is now debt free;
- Total non-current liabilities increased by 18% to $38.3 million from $32.5 million at the end of the prior year due to an increase in the deferred tax liability of $3.8 million and the recognition of a liability for historical costs due to the Republic of Kazakhstan government of $2.0 million;
- Net cash/debt (which includes deferred revenue), a non-GAAP measure, increased from $6.8 million to $7.2 million net cash. This includes a reduction in deferred oil revenue from $5.2 million to nil as well as the reductions in borrowings and cash & cash equivalents mentioned above;
- The number of ordinary shares outstanding reduced by 1% to 115.1 million as a result of shares repurchased and cancelled.

Operational Highlights

	Units	Quarter ended December 31 2024	2023	Change	Year ended December 31 2024	2023	Change
Kazakhstan							
Oil	bopd	1,465	1,419	3%	1,077	3,180	(66%)
Gas	boe/d	3	2	50%	357	5	7040%
Total	boe/d	**1,468**	**1,421**	**3%**	**1,434**	**3,185**	**(55%)**

Oil							
Oil production	bbls	134,758	130,523	3%	394,271	1,160,764	(66%)
Oil sold	bbls	115,317	169,012	(32%)	373,400	1,163,421	(68%)
Revenue	$’000	3,110	4,245	(27%)	11,353	34,259	(67%)
Cost of production	$’000	22,835	2,118	978%	29,099	12,018	142%
Contribution before tax	$’000	**(19,725)**	**2,127**		**(17,746)**	**22,241**	**-**
Revenue	$/bbl	26.97	25.12	7%	30.40	29.45	3%
Cost of production	$/bbl	169.45	16.23	944%	73.80	10.35	613%
Contribution before tax	$/bbl	**(142.48)**	**8.89**	**-**	**(43.40)**	**19.10**	**-**

Gas							
Gas production	Mcm	46	36	29%	22,191	285	7696%
Gas sold	Mcm	-	-	-	21,591	232	9198%
Revenue	$’000	-	2,179	(100%)	3,815	2,209	73%
Cost of production	$’000	459	2,359	(81%)	2,932	4,449	(34%)
Contribution before tax	$’000	**(459)**	**(180)**	**156%**	**883**	**(2,240)**	**-**
Revenue	$/Mcm	-	-	-	176.69	-	-
Cost of production	$/Mcm	-	-	-	132.11	-	-
Contribution before tax	$/Mcm	**-**	**-**	**-**	**44.58**	**-**	**-**

Oil

- Oil production for the quarter averaged 1,465 bopd compared with 1,419 bopd in Q4 2023 and for the year averaged 1,077 bopd compared with 3,180 bopd in 2023. Further production information is provided on page 9;
- Total oil production for Q4 2024 was 134,758 barrels compared with 130,523 barrels in Q4 2023 and for the year was 394,271 barrels compared with 1,160,764 barrels in 2023;
- Oil revenue for the quarter was $3.1 million (2023: $4.2 million) or $26.97/bbl (2023: $25.12/bbl) and for the year was $11.4 million (2023: $34.3 million) or $30.40/bbl (2023: $29.45/bbl);
- Oil production costs include direct production costs, an allocation of administrative expense, DD&A and impairment costs. Oil production costs for the quarter were $22.8 million (2023: $2.1 million) or $169.45/bbl (2023: $16.23/bbl) resulting in a negative contribution before tax of $142.48/bbl (2023: positive $8.89/bbl) and for the year production costs were $29.1 million (2023: $12.0 million) or $73.80/bbl (2023: $10.35/bbl) resulting in a negative contribution before tax of $43.40/bbl (2023: $19.10/bbl).
- Excluding the impairment charge of $20.518 million, oil production costs for the quarter were $2.3 million (Q4 2023: $2.1 million) or $17.19/bbl (Q4 2023: $16.23/bbl) resulting in a contribution before tax of $9.78/bbl (2023: positive $8.89/bbl) and for the year were $8.6 million (2023: $12.0 million) or $21.76/bbl (2023: $10.35/bbl) resulting in a contribution before tax of $8.64/bbl (2023: $19.10/bbl).
- Further information on production costs is provided on page 18.

Operational Highlights - continued

Gas

- Gas was produced in the Q1 2024 only, and for the year averaged 357 boe/d compared with 5 boe/d in 2023. The gas fields were closed for all of 2023 and most of 2024 due to the gas price dispute with the Group's customer QazaqGaz, a state-owned enterprise which was finally resolved in 2024 with payment now received from QazaqGaz for all previously delivered gas;
- Gas revenue for the year of $3.8 million (2023: $2.2 million) includes gas produced in Q1 2024 and an adjustment to revenue recognised in prior periods following final agreement with QazaqGaz;
- Gas production costs for the year were $2.9 million (2023: $4.4 million) or $132.11/Mcm resulting in a contribution before tax of $44.58/Mcm. Further details of production costs are given on pages 18.

Outlook

The information provided under this heading is considered as forward-looking information; as such please refer to Forward-Looking Statements on page 26 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.

The Group's results in 2024 were negatively impacted by two significant non-cash charges: an impairment of Kul-Bas contract area costs that were unrelated to the current Klymene field development and also by currency translation differences from depreciation of the Kazakhstan tenge against the US dollar. The depreciation of the tenge resulted in a reduction in the value of the assets expressed in US dollars and a charge against income. A weaker currency can help earnings on an operating basis when revenue is tied to dollars and costs tied to tenge.

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.

Operational Review

Significant events and transactions for the year

- *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.*

- *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 Republic of Kazakhstan 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.

- *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"). In 2024, 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 has been made prospectively from the date the change was made on April 30, 2024. The Group will continue to present its consolidated financial statements in United States dollars.

- *Oil production regulatory approvals*

  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.

- *Gas dispute*

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

  On September 30, 2024 the Group announced that after multiple rounds of negotiations regarding the settlement of the gas price 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 3,315,563,439 tenge including VAT (12%), or approximately $6.9 million at an exchange rate of 480 tenge to 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 for its new exploration blocks.

- *Oil production regulatory approvals*

  On October 18, 2024 the Group announced that it had received formal approval of the protocol necessary to advance its oil production activities in Kazakhstan. This represented a significant regulatory milestone for the Group. 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. The Group anticipated receiving the ecological permit by mid-November 2024, allowing production to commence from wells KBD-02, KBD-06, and KBD-07. Initial production will take place within the three-year preparatory period commencing July 2023, during which production levels cannot exceed those established during the prior pilot oil production phase. During the preparatory period, production from these three wells is expected to reach a daily rate of approximately 400-500 tons.

  On November 11, 2024 the Group announced that it had received the necessary gas flaring permit, another important 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 the Group announced that it had received the Ecology permit for oil production at Kul-Bas.

  Production from the KBD-6 well commenced on November 19, 2024, and production from KBD-2 commenced on November 22 with KBD-07 added to production thereafter.

Operational Review - continued

- *Annual General Meeting*

  On November 12, 2024 the Company announced the results of its Annual General meeting. All resolutions put to shareholders at the AGM were passed at the meeting.

Significant events and transactions subsequent to the year-end

- *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 3 wells are tied into the oil gathering. 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 issues 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*

  Tethys hasn't paid a dividend since February of 2023. The approximate two-year delay in payments from QazaqGaz on gas sold and the delays in approval for the production contract impacted Tethys's ability to return cash to shareholders. The settlement of the balance due from QazaqGaz, the initiation of new oil sales and the ability to sell oil under the production contract enhances Tethys ability to fund expenses and pay dividends. 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 $.01/share (USD) dividend to shareholders of record on February 10, 2025 on February 20, 2025.

Operational Review - continued

- *Ressumption 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.

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.

Results of Operations and Operational Review - Kazakhstan

Oil production

	2024					2023				
	Gross fluid		Net	Net production		Gross fluid		Net barrels	Net production	
	m3	barrels	barrels	days	bopd	m3	barrels		days	bopd
Q1	-	-	-	91	-	42,049	264,483	264,483	90	2,939
Q2	24,448	153,773	148,356	91	1,630	50,450	317,319	315,357	91	3,465
Q3	17,673	111,157	111,157	92	1,208	71,622	450,489	450,401	92	4,896
Q4	21,425	134,758	134,758	92	1,465	21,223	133,487	130,523	92	1,419
Total	**63,546**	**399,688**	**394,271**	**366**	**1,077**	**185,344**	**1,165,778**	**1,160,764**	**365**	**3,180**

There was no oil production in the first quarter of 2024 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. 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 described on page 7, the Group successfully commissioning the oil handing and gas utilization facilities it needed to have in place to start commercial production from KBD-02 and KBD-06 in November 2024. This explains the lower level of production in 2024 from 2023 when there was a higher level of production during the pilot production period and from appraisal well testing during the year.

Production averaged 1,465 bopd for Q4 2024 compared with 1,419 bopd in Q4 2023. The average production rate for the year was 1,077 bopd compared with 3,180 bopd in 2023.

Production and other information on all the Kul-Bas wells in 2024 and since the start of testing is shown in the table on page 12.

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 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 8

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 3 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 USD per ton, or approximately 6 USD per barrel. The estimated reduction in net income for 2024 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	2024 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	18 073 (852,994)
		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 FDP³ 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 FDP³ 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	101 836 (1,380,005)
KBD-07	08/10/2021 20/12/2021	Jurassic	27/12/2021 (204 days)	34.7	-	28/12/2021	Nil (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 FDP³ 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 FDP³ to convert into commercial	60,741 (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 FDP³ to convert into commercial	213,621 (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		

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 is planned for this underexplored area at an estimated cost of $1.3 million and the possible drilling of an exploration well in 2026.

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	173	1,016	177	6,246	2	12
Q2	-	-	-	-	-	-	-	-
Q3	-	-	-	-	-	-	-	-
Q4	-	-	-	-	-	-	-	-
Total	**15,704**	**554,511**	**43**	**253**	**177**	**6,246**	**-**	**3**
Akkulka								
Q1	6,331	223,535	70	409	65	2,305	1	4
Q2	63	2,217	1	4	-	-	-	-
Q3	46	1,637	1	3	7	242	-	-
Q4	47	1,637	1	3	36	1,264	-	2
Total	**6,487**	**229,026**	**18**	**104**	**108**	**3,811**	**-**	**2**
Grand total	**22,191**	**783,537**	**61**	**357**	**285**	**10,057**	**1**	**5**

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 sales 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 (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 has 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 on the gas 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. On April 10, 2025, the Group resumed production on the Akkulka and Kyzloi gas fields and started gas sales to NatGaz Company LLP.

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 Company'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-09 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.

Financial Review

Summary of Quarterly Results

	Q4, 2024	Q3, 2024	Q2, 2024	Q1, 2024	Q4, 2023	Q3, 2023	Q2, 2023	Q1, 2023
Oil & gas sales and other revenues	3,115	5,357	4,786	1,943	6,431	11,069	9,079	9,900
(Loss)/profit for the period	(11,818)	(613)	1,027	(983)	(1,142)	4,245	4,131	2,503
Basic (loss)/earnings ($) per share	(0.10)	(0.01)	0.01	(0.01)	(0.02)	0.04	0.04	0.02
Adjusted EBITDA[1]	156	3,164	1,896	(804)	5,244	7,647	6,089	6,070
Capital expenditure	2,711	888	2,413	1,790	5,289	3,140	1,319	2,321
Total assets	56,231	82,148	87,035	83,084	85,331	103,606	95,849	81,161
Cash & cash equivalents	5,959	2,637	2,094	1,849	7,216	9,973	3,597	7,264
Short & long-term borrowings	-	-	-	-	-	-	-	2,675
Total non-current liabilities	27,117	36,542	36,618	36,422	38,264	45,572	49,484	32,335
Net (cash)/debt[1]	(5,094)	(1,667)	(1,223)	(1,110)	(7,202)	(6,463)	(3,578)	(4,536)
Number of common shares outstanding	114,857,248	114,857,248	114,857,248	114,857,248	115,075,013	115,075,013	115,075,013	115,075,013

Note 1 - Adjusted EBITDA and net debt are non-GAAP Measures, refer to page 22 for details.

- The decrease in oil and gas revenues from Q4 2023 to Q4 2024 is due to no gas revenue in the current quarter compared with $2.2 million in the prior year quarter and lower oil revenue due to 32% fewer barrels of oil sold;
- (Loss)/profit for the quarter was lower in Q4 2024 due the lower oil & gas revenue and also the impairment of previously capitalised costs in the Kul-Bas contract area outside of the Klymene field currently being developed. This was partly offset by an income tax benefit in the current quarter compared with a tax expense in the prior year quarter;
- Adjusted EBITDA, a non-GAAP measure, was lower in 2024 due mainly due to lower oil production which was 66% lower on average in 2024;
- Capital expenditure has continued to be made consistently throughout the 2023-2024 period as the Group drilled and tested oil wells in the Klymene field, and constructed oil gathering and gas utilization facilities required for commercial production volumes;
- Total assets increased in Q2 2024 as a result of the Kul-Bas impairment charge and also devaluation of the Kazakhstani tenge against the US dollar;
- Cash & cash equivalents decreased to $6.0 million in Q4 2024 from $7.2 million in Q3 2023. Further information on cashflows is provided on page 21;
- Total non-current liabilities decreased to $27.1 million in Q4 2024 from $38.3 million in Q4 2023 mainly due to the reduction in deferred tax liabilities which mainly relate to the different treatment of property and equipment for accounting and tax purposes;
- Net (cash)/debt, a non-GAAP measure which includes deferred revenue, reduced to $5.1 million in Q4 2024 from $7.2 million in Q4 2023. Further information on net cash is provided on page 22;
- The number of outstanding shares of the Company reduced marginally in Q1 2024 when repurchased under buyback program were cancelled.

Financial Review - continued

Profit for the period

	Quarter ended December 31			Twelve months ended December 31		
	2024	2023	Change	2024	2023	Change
Sales revenues	3,115	6,431	(52%)	15,201	36,479	(58%)
Production expenses	(1,452)	(1,156)	26%	(6,162)	(6,081)	1%
Depreciation, depletion and amortisation	(719)	(420)	71%	(2,315)	(4,270)	(46%)
Impairment charges	(20,518)	(1,720)	1093%	(20,518)	(1,720)	1093%
Administrative expenses	(930)	(1,331)	(30%)	(4,042)	(5,354)	(24%)
Share-based payments	(5)	(16)	(72%)	(36)	(95)	(62%)
Other gains and losses	(46)	(173)	(73%)	(564)	(298)	89%
Foreign exchange gains and loss	(590)	1,300	-	(585)	36	-
Finance costs	(138)	794	-	(124)	(247)	(50%)
	(24,398)	(2,722)	796%	(34,346)	(18,029)	91%
(Loss)/profit before tax	**(21,283)**	**3,709**	-	**(19,145)**	**18,450**	-
Taxation	9,466	(4,851)	-	6,759	(8,714)	(78%)
(Loss)/profit for the period	**(11,817)**	**(1,142)**	**934%**	**(12,386)**	**9,736**	-

The Group recorded a loss after tax of $11.8 million for the quarter compared with a loss of $1.1 million in Q4 2023 and a loss of $12.4 million for the year compared with a profit of $9.7 million in 2023, the principal variances being:

- Lower profit contribution in the current quarter due to fewer barrels of oil sold and in the current year from lower oil production which was 66% lower in 2024;
- Lower DD&A charge in the current year from the lower oil production;
- A $20.5 million impairment charge in Q4 2024 and 2024 relating to previously capitalised costs in the Kul-Bas contract area that are outside of the Klymene field currently being developed;
- Lower administrative expenses due to cost reductions in response to the extended closure of the gas field and the lower overall level of profitability;
- Tax benefit in the current quarter and current year compared to a tax charge in the prior year quarter and prior year which mainly relates to deferred tax and the different treatment of property and plant for accounting and tax purposes.

Financial Review - continued

Sales & other revenue

	Quarter ended December 31			Twelve months ended December 31		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
By region and type						
Kazakhstan - Oil	3,110	4,245	(27%)	11,353	34,259	67%
Kazakhstan - Gas	-	2,179	(100%)	3,815	2,209	73%
Other revenue	5	7	(29%)	33	11	200%
Total	**3,115**	**6,431**	**(52%)**	**15,201**	**36,479**	**(58%)**

Kazakhstan – Oil revenue

- Oil revenue for the quarter was $3.1 million (Q4 2023: $4.2 million) or $26.97/bbl (Q4 2023: $25.12), the reduction in revenue being due to fewer barrels of oil sold in the current quarter. Oil revenue for the year was $11.4 million (2023: $34.2 million) or $30.40/bbl (2023: $29.45/bbl) with the reduction in revenue due to the 66% reduction in oil production in 2024 compared with 2023.

- Further information on oil production is provided on page 9.

Kazakhstan - Gas revenue

- There was no gas revenue in the current quarter as the gas fields remained closed pending agreement on a new gas sales contract following resolution of the previous contractual dispute with QazaqGaz. Gas revenue for the year of $3.8 million includes gas sold in Q1 2024 and an adjustment to revenue for earlier periods following payment from QazaqGaz for all prior periods. represents an adjustment to the estimated amount receivable for gas delivered in 2023 as gas production in 2024 was minimal.

- Further information on gas production is provided on page 13.

Oil and gas sales are subject to exchange rate risk – refer to page 24 – "*Sensitivities*".

Financial Review - continued

Production expenses

	Units	Quarter ended December 31 2024	2023	Change	Year ended December 31 2024	2023	Change
Kazakhstan direct production expenses							
Oil production costs	$000's	1,175	814	44%	4,499	4,457	1%
Gas production	$000's	277	342	(19%)	1,663	1,624	2%
Total	$000's	**1,452**	**1,156**	**26%**	**6,162**	**6,081**	**1%**
Administrative expenses							
Oil production	$000's	454	885	(49%)	2,277	3,297	(31%)
Gas production	$000's	151	295	(49%)	759	1,099	(31%)
Corporate	$000's	325	151	117%	1,006	958	5%
Total	**$000's**	**930**	**1,331**	**(30%)**	**4,042**	**5,354**	**(24%)**
Depreciation, depletion, amortisation & impairment							
Oil production	$000's	21,206	419	4961%	22,323	4,264	424%
Gas production	$000's	31	1,721	(98%)	510	1,726	(70%)
Total	**$000's**	**21,237**	**2,140**	**892%**	**22,833**	**5,990**	**281%**

	Units	Quarter 2024	Quarter 2023	Change	Year 2024	Year 2023	Change
Oil							
Total cost of production	$000's	22,835	2,118	978%	29,099	12,018	142%
Production	bbls	134,758	130,523	3%	394,271	1,160,764	(66%)
Cost per unit of production	$/bbl	169.45	16.23	944%	73.80	10.35	613%

	Units	Quarter 2024	Quarter 2023	Change	Year 2024	Year 2023	Change
Gas							
Total cost of production	$000's	459	2,359	(81%)	2,932	4,449	(34%)
Production	boe	273	211	29%	130,598	1,676	7690%
Cost per unit of production	$/boe	-	-	-	22.45	-	-
Production	Mcm	46	36	29%	22,191	285	7690%
Cost per unit of production	$/Mcm	-	-	-	132.11	-	-

	Units	Quarter 2024	Quarter 2023	Change	Year 2024	Year 2023	Change
Oil and gas weighted average cost	$/boe	172.50	34.25	404%	61.03	14.11	331%

Kazakhstan – oil production

Oil production costs comprising direct production costs, administrative expenses, impairment charges and depreciation, depletion and amortisation were $22.8 million (Q4 2023: $2.1 million) or $169.45/bbl (Q4 2023: $16.23/bbl) and for the year were $29.1 million (2023: $12.0 million) or $73.80/bbl (2023: $10.35/bbl).

Excluding the impairment charge oil production costs for the quarter were $2.3 million (Q4 2023: $2.1 million) or $17.19/bbl (Q4 2023: $16.23/bbl) and for the year were $8.6 million (2023: $12.0 million) or $21.76/bbl (2023: $10.35/bbl).

Kazakhstan – gas production

Gas production costs comprising direct production costs, administrative expenses and depreciation, depletion and amortisation for the quarter were $0.5 million (Q4 2023: $2.4 million, including an impairment of $1.7 million) and for the year were $2.9 million (2023: $4.4 million, including an impairment of $1.7 million). Due to the adjustments to revenue following resolution of the dispute with QazaqGaz and the fact that the gas fields were closed during 2023 and for most of 2024 unit of production comparisons are not particularly meaningful.

	2024	2023
Kazakhstan oil production:		
Staff costs	1,744	1,837
Taxes & other mandatory payments	1,483	991
Materials & diesel	387	380
Camp services	240	254
Transportation & travel	215	481
Health & safety, blowout prevention	164	297
Contractors	124	134
Repairs & maintenance	23	12
Other	119	71
Oil production expenses	**4,499**	**4,457**
Kazakhstan gas production:		
Staff costs	803	530
Contractors & security	220	306
Health & safety, blowout prevention	159	327
Materials & diesel	134	196
Transportation	100	27
Taxes & other mandatory payments	79	51
Camp services	62	52
Repairs & maintenance	30	103
Other	76	32
Gas production expenses	**1,663**	**1,624**
Total production expenses	**6,162**	**6,081**

Administrative expenses

	Quarter ended December 31			Twelve months ended December 31		
	2024	2023	Change	2024	2023	Change
Staff costs and director fees	692	938	(26%)	2,930	4,011	(27%)
Professional fees	89	148	(40%)	565	567	(0%)
Other administrative expenses	149	245	(39%)	547	776	(30%)
Total	**930**	**1,331**	**(30%)**	**4,042**	**5,354**	**(24%)**
G&A expenses per boe ($)	6.89	10.18	(32%)	7.70	4.61	67%

- Administrative costs were lower in the current quarter and year due mainly to lower staff costs in Kazakhstan where staff numbers were reduced and employees put on furlough due to the closure of the gas fields and in response to the overall reduction in profitability.
- Professional fees mainly relate to audit fees, legal expenses, reserves evaluator fees and other consultants.
- Other administrative costs includes office costs, travel expenses, regulatory costs, insurance, investor relations costs, socio-economic contributions, vehicles expenses and bank fees.

Taxation

Taxation on corporate profits in Kazakhstan comprises Corporate Income Tax (CIT) at 20% and Excess Profits Tax (EPT) which applies at graduated rates on profits earned above certain profit thresholds. The Group measures its deferred tax liabilities using the average CIT and EPT rate expected to apply over the periods the deferred tax balances are expected to reverse. The Group's deferred tax liability mainly arises from the different treatment of oil & gas assets capital allowances for tax purposes and depletion of oil & gas assets for accounting purposes. It also includes withholding taxes that are expected to apply on payment of interest payable by subsidiaries on intra-group loans.

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.

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

Financial Review - continued

Cash Flow

	Quarter ended December 31			Twelve months ended December 31		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Net cash from/(used in) operating activities	**6,407**	**(11)**	**-**	**6,913**	**10,110**	**(32%)**
Capital expenditure	(2,711)	(5,289)	(49%)	(7,802)	(12,068)	(35%)
Other investing cash flows	147	744	(80%)	153	516	(70%)
Net cash used in investing activities	**(2,564)**	**(4,545)**	**(44%)**	**(7,649)**	**(11,552)**	**(34%)**
Repayment of borrowings	-	-	-	-	(3,125)	(100%)
Shares repurchased	-	(4)	(100%)	-	(156)	(100%)
Dividend paid	-	-	-	-	(2,599)	(100%)
Net cash used in financing activities	**-**	**(4)**	**(100%)**	**-**	**(5,880)**	**(100%)**
Net increase/(decrease) in cash	**3,843**	**(4,560)**	**-**	**(736)**	**(7,322)**	**(165%)**
Exchange rate effect and credit loss allowance	(521)	1,803	-	(521)	-	-
Cash & cash equivalents at beginning of period	2,637	9,973	(74%)	7,216	14,538	(50%)
Cash & cash equivalents at end of period	**5,959**	**7,216**	**(17%)**	**5,959**	**7,216**	**(17%)**

Operating activities

Net cash from operating activities in the quarter was $6.4 million (negative $11 thousand) and for the year was positive $6.9 million (2023: $10.1 million). The higher amount for the quarter principally relates to payment for gas by QazaqGaz for all prior periods outstanding following resolution of the long-running contractual dispute. The reduction for the year reduction is due to the lower oil revenues from as a result of the 66% lower oil production volume.

Investing activities

Capital expenditure payments made during the quarter and year mainly relate to oil production facilities equipment purchase and construction costs and payments to the drilling contractor.

Financing activities

The Group repaid the remainder of the Gemini debenture in Q2 2024 in the amount of $3.1 million. The Group also paid a dividend of $2.6 million in Q1 2024.

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 – *Summary of Material Accounting Policies* of the December 31, 2024 consolidated financial statements. Refer to note 4 – *Critical Judgments and Accounting Estimates* of the December 31, 2024 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.

Financial Review - continued

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 December 31			Twelve months ended December 31		
	2024	**2023**	**Change**	**2024**	**2023**	**Change**
Profit before taxation	**(21,283)**	**3,709**	**-**	**(19,145)**	**18,450**	**-**
Depreciation, depletion and amortisation	719	420	71%	2,315	4,270	(46%)
Impairment charges	20,518	1,720	1093%	20,518	1,720	1093%
Share-based payments	5	16	(72%)	36	95	(62%)
Other gains and losses	46	173	(73%)	564	298	89%
Finance costs - net	138	(794)	-	124	247	(50%)
Adjusted EBITDA	**143**	**5,244**	**(97%)**	**4,412**	**25,080**	**(82%)**

Net (cash)/debt

Net (cash)/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 consolidated financial statements for the year ended December 31, 2024.

	As at December 31		
	2024	**2023**	**Change**
Deferred revenue	865	14	6076%
Less: cash and cash equivalents	(5,959)	(7,216)	(17%)
Net (cash)/debt	**(5,094)**	**(7,202)**	**(29%)**
Total equity	23,147	42,192	(45%)
Total capital	**18,053**	**34,990**	**(48%)**

Adjusted EBITDA and net (cash)/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 December 31, 2024 the Company had authorised share capital of 145,000,000 (2023: 145,000,000) ordinary shares of which 114,857,248 (2023: 115,075,013) had been issued and 50,000,000 (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 ordinary shares issued and outstanding at the date of this MD&A was 114,857,248 and the number of preference shares issued and outstanding was nil.

The number of options issued under the Company's Long Term Stock Incentive Plan and outstanding as at December 31, 2024 and also at the date of this MD&A was 1,802,188 (2023: 1,802,188).

There were no other potential issuable shares at December 31, 2024 (203: nil) or at the date of this MD&A.

Dividends

No dividends were paid or authorised for payment in 2024. A dividend of 3 CAD cents per ordinary share was paid on February 9, 2023.

Transactions with Related Parties

Disclosure of the Group's transactions with related parties are provided in note 17 of the consolidated financial statements.

Commitments and contingencies

Details of the Group's commitments and contingencies including litigation, claims and assessments and work program commitments are provided in note 19 of the consolidated financial statements.

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

			Payments due by period		
Contractual obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Kazakhstan work program commitments	295,618	83,432	193,043	19,143	-
Trade and other payables	7,218	4,834	636	636	1,112
Provisions	4,149	1,386	-	593	2,170
Total contractual obligations	**306,985**	**89,652**	**193,679**	**20,372**	**3,282**

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 they are 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.

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 Group 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 Group'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 conducts its business, gas production levels; and the Group's ability to obtain qualified staff and equipment in a timely and cost effective manner to meet the Group'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.

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
Gemini	Gemini IT Consultants DMCC
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