Tethys Petroleum Limited

Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

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Responsibility Statement of the Directors in Respect of the Annual Report and Accounts

The accompanying consolidated financial statements and all the information in the Annual Report and Accounts are the responsibility of The Board of Directors. The consolidated financial statements have been prepared by management, acting on behalf of the Board of Directors, in accordance with the accounting policies described in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards, appropriate in the circumstances, as issued by the International Accounting Standards Board. The consolidated financial information contained elsewhere in the Annual Report and Accounts has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors have examined the consolidated financial statements and have expressed an opinion on the consolidated statements. Their report is included with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors of the Company has established an Audit Committee, consisting of independent non-management directors, to review the consolidated financial statements with management and the auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standard ("IFRSs"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Management Discussion & Analysis and the Annual Information Form include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We draw attention to the section entitled "Going concern" in note 2 to the Consolidated Financial Statements which describes the material uncertainties relating to the Company's adoption of the going concern basis in preparing the Financial Statements for the year ended December 31, 2015 that may cast significant doubt about Tethys Petroleum Limited's ability to continue as a going concern.

For and on behalf of the Board

J. Bell	**A. Ogunsemi**
Chairman	Director
March 29, 2016	March 29, 2016

March 29, 2016

Independent Auditor's Report

To the Shareholders of Tethys Petroleum Limited

We have audited the accompanying consolidated financial statements of Tethys Petroleum Limited and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related noted, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tethys Petroleum Limited and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Tethys Petroleum Limited's ability to continue as a going concern.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Tethys Petroleum Limited

Consolidated Statement of Financial Position

As at December 31
(in thousands of US dollars)

	Note	2015	2014
Non-current assets			
Intangible assets	13	64,202	47,630
Property, plant and equipment	14	113,397	13,804
Restricted cash	15	2,233	623
Investment in joint arrangements	18	4	4
Trade and other receivables	16	2,457	-
Deferred tax	11	226	258
		182,519	**62,319**
Current assets			
Cash and cash equivalents	20	3,272	3,112
Trade and other receivables	16	3,710	634
Inventories		879	-
Restricted cash	15	215	116
Assets of a disposal group classified as held for sale	19	-	172,514
		8,076	**176,376**
Total assets		**190,595**	**238,695**
Non-current liabilities			
Trade and other payables	22	133	-
Financial liabilities - borrowings	21	22,873	5,489
Deferred tax	11	10,792	-
Provisions		846	-
		34,644	**5,489**
Current liabilities			
Financial liabilities - borrowings	21	9,159	5,139
Derivative financial instruments	21	275	-
Current taxation		398	364
Trade and other payables	22	14,189	4,102
Provisions	9	360	1,759
Liabilities of a disposal group classified as held for sale	19	-	16,092
		24,381	**27,456**
Total liabilities		**59,025**	**32,945**
Equity			
Share capital	24	33,696	33,645
Share premium	24	321,803	321,724
Other reserves	24	43,166	42,845
Accumulated deficit		(273,189)	(198,560)
Non-controlling interest	25	6,094	6,096
Total equity		**131,570**	**205,750**
Total equity and liabilities		**190,595**	**238,695**
Going concern	2		
Commitments and contingencies	28		

The notes on pages 7 to 55 form part of these consolidated financial statements. The consolidated financial statements were approved by the Board on March 29, 2016 and were signed on its behalf.

J. Bell
Chairman

A. Ogunsemi
Director

Tethys Petroleum Limited

Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31

(in thousands of US dollars, except per share amounts)

	Note	2015	2014
Sales and other revenues	7	22,135	27,389
Sales expenses	2	(4,210)	(2,287)
Production expenses		(10,232)	(13,476)
Depreciation, depletion and amortisation		(28,731)	(1,270)
Exploration and evaluation expenditure written off	13	(25,918)	-
Business development expenses		-	(1,881)
Administrative expenses	8	(9,492)	(17,647)
Restructuring costs	9	(3,247)	(2,585)
Transaction costs of assets held for sale	19	(1,065)	(243)
Share based payments	10	(450)	(224)
Profit on sale of fixed assets		53	-
Foreign exchange loss		(1,715)	(200)
Fair value gain on derivative financial instrument		824	17
Loss from jointly controlled entity	17	(2,796)	(1,356)
Finance costs	21	(3,329)	(1,247)
		(90,308)	(42,399)
Loss before tax from continuing operations		**(68,173)**	**(15,010)**
Taxation	11	(6,430)	(463)
Loss for the year from continuing operations		**(74,603)**	**(15,473)**
Loss for the year from discontinued operations net of tax	5	**(28)**	**(912)**
Loss and total comprehensive income for the year		**(74,631)**	**(16,385)**
Loss and total comprehensive income attributable to:			
Shareholders		(74,629)	(16,027)
Non-controlling interest		(2)	(358)
Loss and total comprehensive income for the year		**(74,631)**	**(16,385)**
Loss per share attributable to shareholders:			
Basic and diluted - from continuing operations (USD)	12	(0.22)	(0.05)
Basic and diluted - from discontinued operations (USD)	12	-	-

No dividends were paid or are declared for the year (2014: $Nil).

The notes on pages 7 to 55 form part of these consolidated financial statements.

Tethys Petroleum Limited

Consolidated Statements of Changes in Equity

(in thousands of US dollars)

	Note	Attributable to shareholders						
		Share capital	Share premium	Accumulated deficit	Option reserves	Warrant reserves	Non-controlling interest	Total equity
At January 1, 2014		**28,756**	**307,295**	**(182,533)**	**26,020**	**16,601**	**6,454**	**202,593**
								-
Comprehensive loss for the year		-	-	(16,027)	-	-	(358)	(16,385)
Transactions with shareholders						-	-	-
Shares issued		4,889	15,808	-	-	-	-	20,697
Share issue costs		-	(1,379)	-	-	-	-	(1,379)
Share-based payments		-	-	-	224	-	-	224
Total transactions with shareholders		4,889	14,429	-	224	-	-	19,542
At December 31, 2014	**24**	**33,645**	**321,724**	**(198,560)**	**26,244**	**16,601**	**6,096**	**205,750**
Comprehensive loss for the year		-	-	(74,629)	-	-	(2)	(74,631)
Transactions with shareholders								
Shares issued		51	79	-	-	-	-	130
Share-based payments		-	-	-	321	-	-	321
Total transactions with shareholders		51	79	-	321	-	-	451
At December 31, 2015	**24**	**33,696**	**321,803**	**(273,189)**	**26,565**	**16,601**	**6,094**	**131,570**

The option reserve and warrant reserve are denoted together as “other reserves” on the consolidated statement of financial position. These reserves are non-distributable.

The notes on pages 7 to 55 form part of these consolidated financial statements.

Tethys Petroleum Limited

Consolidated Statements of Cash Flows

For the year ended December 31
(in thousands of US dollars)

	Note	2015	2014
Cash flow from operating activities			
Loss before tax from continuing operations		(68,173)	(15,010)
Loss before tax from discontinued operations[1]	5	(28)	(912)
		(68,201)	**(15,922)**
Adjustments for:			
Share based payments	10	450	224
Net finance cost		3,329	1,247
Depreciation, depletion and amortisation		28,731	1,270
Unsuccessful exploration and evaluation expenditures		25,918	-
Profit on sale of fixed assets		(53)	-
Fair value gain on derivative financial instruments		(824)	(17)
Net unrealised foreign exchange gain		(114)	(192)
Loss from jointly controlled entity		2,796	1,356
Movement in provisions		(4,646)	1,239
Net change in working capital	27	752	(389)
Cash used in operating activities		**(11,862)**	**(11,184)**
Corporation tax paid		(136)	(320)
Net cash used in operating activities		**(11,998)**	**(11,504)**
Cash flow from investing activities			
Interest received		183	198
Expenditure on exploration and evaluation assets		(5,798)	(8,683)
Expenditure on property, plant and equipment		(2,495)	(17,386)
Proceeds from sale of fixed assets		121	-
Movement in restricted cash		214	137
Movement in advances to construction contractors		416	782
Movement in value added tax receivable		1,284	(90)
Net change in working capital	27	(1,275)	285
Net cash generated used in investing activities		**(7,350)**	**(24,757)**
Cash flow from financing activities			
Proceeds from issuance of borrowings, net of issue costs	21	28,107	11,604
Repayment of borrowings	21	(10,269)	(8,803)
Interest paid on borrowings		(1,448)	(1,721)
Proceeds from issuance of equity		-	14,947
Share issue costs		-	(1,379)
Movement in other non-current liabilities		(313)	(153)
Net cash generated from financing activities		**16,077**	**14,495**
Effects of exchange rate changes on cash and cash equivalents		2,675	(97)
Net decrease in cash and cash equivalents		**(596)**	**(21,863)**
Cash and cash equivalents at beginning of the year		3,868	25,731
Cash and cash equivalents at end of the year		**3,272**	**3,868**
Cash and cash equivalents at end of the year comprises:			
Cash in assets of a disposal group held for sale		-	756
Cash and cash equivalents		3,272	3,112
	20	**3,272**	**3,868**

Note 1 The Company has elected to present a statement of cash flows that analyses cash flows for both continuing and discontinued operations; amounts related to discontinued operations are disclosed in note 5.

The notes on pages 7 to 55 form part of these consolidated financial statements.

1 General information

Tethys Petroleum Limited is incorporated in the Cayman Islands and the address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands. Tethys is an oil and gas company operating within the Republic of Kazakhstan, Republic of Tajikistan and Georgia. Tethys' principal activity is the acquisition of and exploration and development of crude oil and natural gas fields.

The Company has its primary listing on the Toronto Stock Exchange ("TSX") and a standard listing on the London Stock Exchange ("LSE"). The Company is also listed on the Kazakhstan Stock Exchange ("KASE").

Statement of compliance

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB and IFRIC interpretations issued by the IFRS Interpretations Committee and effective or issued and early adopted as at the time of preparing these consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements are presented in United States Dollars ("USD" or "$"). Foreign operations are included in accordance with the policies set out in this note.

Going concern

The Management and the Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the Consolidated Financial Statements in determining the ability of the Company to adopt the going concern basis in preparing the Consolidated Financial Statements for the year ended December 31, 2015. The Company currently does not have sufficient funding to fund its obligations for the next twelve months.

Although these Consolidated Financial Statements have been prepared on a going concern basis in accordance with IFRS, which contemplates the realisation of assets and settlement of liabilities in the normal course of business as they come due, events and uncertainties which are discussed below raise substantial doubt about the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company reported a loss of USD74.6 million for the year ended December 31, 2015 (2014: USD16.4 million) and an accumulated deficit as at that date of USD273.2 million (2014: USD198.6 million) and negative working capital of USD16.3 million (December 31 2014: negative USD7.5 million) excluding items classified as held for sale. In addition, the Company reported negative cash flow from operating activities before tax of USD11.6 million for the year ended December 31, 2015 (December 31, 2014 USD 11.2 million)

On November 2, 2013, Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. ("SinoHan"), a Beijing based private equity fund, for USD75 million. Completion was dependent on the Company receiving Kazakh governmental permission and waiver of the State pre-emptive right. The Company also had an obligation to undertake a number of significant conditions precedent prior to completion of the sale which the Company was actively pursuing up until the longstop date. However, on May 1, 2015, the Company announced that the main approval required from the Ministry of Energy had not been received and SinoHan confirmed that it did not wish to enter into a further extension of the agreement. As the deal did not complete, the USD3.9m consideration advanced became repayable to SinoHan along with transaction costs of USD0.7m.

In order to support the Company's short term liquidity position, which has been adversely affected by the decrease in world oil prices, management has been implementing a cost reduction programme with respect to its operational, G&A costs and capital expenditures. During the year the Company has pursued multiple different opportunities to raise additional financing during the year including sourcing a number of loans under which it raised total net proceeds of USD 28.1 million in 2015 (refer to note 21).

On July 1, 2015 the Company announced a strategic collaboration with AGR Energy Holdings ("AGR") involving a proposed USD47.7 million private placement at a price of CAD0.192 per share and a convertible loan for up to USD5 million to support short term liquidity. Pursuant to this agreement, it also agreed with Pope Asset Management ("PAM"), the Company's largest shareholder, that PAM would subscribe for shares on substantially the same terms as AGR. However, following further correspondence and discussions with AGR, during which AGR indicated that it would require changes to the proposed structure and terms, the Company announced on August 10, 2015 that it would no longer be proceeding with the AGR placing or the PAM subscription.

On the same date, the Company announced that it had received a non-binding indicative proposal from Nostrum Oil & Gas PLC ("Nostrum") regarding a possible offer for the Company at a price of CAD0.2185 per Tethys share, which would be satisfied in cash or shares in Nostrum, or a combination of both cash and shares. In connection with the possible offer, Nostrum and Tethys entered into an unsecured USD5 million loan facility to support the short term liquidity of Tethys during the proposed offer period.

On August 28, 2015 the Company received a revised non-binding and highly conditional proposal from Nostrum setting out revised terms on which Nostrum was prepared to make an offer to acquire the Company and to provide further financing to Tethys. On September 23, 2015 the Company and Nostrum entered into a non-binding letter of intent and period of exclusivity until October 6, 2015 in connection with a proposed of C$0.147 per share and an interim financing facility of up to US$20 million to fund the Company's cash requirements until completion of any formal offer.

On October 5, 2015 the Company announced a non-binding proposal submitted to the Company by Olisol Investment Group ("Olisol") and on October 7, 2015 that it had received a non-binding letter of intent from

AGR in connection with a potential US$20 million equity fundraising at a price of C$0.165 per share and potential US$5 million loan to support short-term liquidity. In addition to the equity fundraising AGR would also be granted an option by the Company to subscribe for further newly issued shares for up to US$20 million of shares at the same subscription price.

On the same day the Company announced that Nostrum had withdrawn its proposed offer and that whilst the transaction had the unanimous support of the Tethys Board and Tethys and Nostrum had worked together to negotiate legally binding agreements implementing the proposed transaction during the exclusivity period Tethys' largest shareholder, PAM, had informed Nostrum that it did not support the proposed transaction and therefore Nostrum informed the Company that the proposed transaction would not proceed.

On November 19, 2015 the Company announced that it had entered into an interim convertible financing facility of up to USD15 million with Olisol Petroleum Limited (“OPL”) convertible into Tethys ordinary shares at C$0.17 per share. OPL agreed to advance to Tethys up to USD15 million to be used to repay the USD5 million term loan from Nostrum Oil & Gas PLC and potentially the USD7.5 million convertible debenture from AGR Energy Limited No. 1 with the balance used for general and working capital requirements of the Company. On December 8, 2015 the Company announced announced that it had entered into a binding investment agreement with Olisol Investments Limited setting out the terms and conditions upon which OPL had agreed to purchase 150 million new ordinary shares in Tethys at a price of C$0.17 per share, for total proceeds of C$25.5 million, by way of a private placement and to commit to backstop a further equity fundraising of 50 million Shares at C$0.17 per Share.

On March 2, 2016 the Company announced it had signed a legally binding amendment to the USD15 million convertible debt facility entered into on November 19, 2015 with Olisol the key terms of which are as follows:

- Olisol to convert approximately USD6.25 million of the interim facility into ordinary shares at a price of USDD0.10 per share;

- Olisol will work with a bank in Kazakhstan to secure a loan for TethysAralGas LLP, in the amount of USD10 million within 60 days which together with the conversion would satisfy the outstanding obligations of Olisol under the Interim Facility;

- Olisol to provide additional working capital reasonably required by Tethys, until completion of a placement under an amended investment agreement;

- Olisol committed to purchasing 181,240,793 new shares at a price to be agreed by Tethys and Olisol. This purchase, together with the conversion of the amounts outstanding under the interim facility would result in Olisol owning approximately 42% of the Company’s shares.

To date, Olisol has converted USD3.74 million of the interim facility into ordinary shares. Their ability to convert the remainder described above as well as to purchase new shares depends upon the Toronto Stock Exchange (TSX) approving Olisol’s Personal Information Forms which have been submitted and are currently being reviewed.

Tethys' future operations and earnings will depend upon the results of its operations in the Republic of Kazakhstan, Tajikistan and Georgia. There can be no assurance that Tethys will be able to successfully conduct such operations, and a failure to do so would have a material adverse effect on Tethys' financial position, results of operations and cash flows. Also, the success of Tethys' operations will be subject to numerous contingencies, some of which are beyond management's control. These contingencies include general and regional economic conditions, prices for crude oil and natural gas, competition and changes in regulation. Since Tethys is dependent on international operations, Tethys will be subject to various additional political, economic and other uncertainties. Among other risks, Tethys' operations may be subject to the risks and restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

These circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the above-described additional funding required to meet capital expenditure programs including its contractual obligations, its ability to renew and maintain access to debt facilities, equity issuances, manage risks associated with depressed oil prices and potential Tenge devaluation and ability to generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Discontinued operation

The results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia. Further details are given in note 5.

Disposal group held for sale

In 2013, the Company announced its intention to sell 50% interest in its Kazakhstan businesses. As a result, the assets and liabilities of the Kazakhstan businesses were grouped together in the Consolidated Statement of Financial Position as "assets of a disposal group held for sale" and "liabilities of a disposal group held for sale". The Company announced on May 1, 2015 that the sale would not be taking place, therefore the assets and liabilities of the Company's Kazakhstan businesses were reclassified in the Consolidated Statement of Financial Position on that date to their previous categories. Further details are given in note 19.

Production expenses

In the course of the financial year, the Company recorded an accrual of additional production taxes along with interest charges incurred. Production expenses of USD1,517,000, finance costs of USD892,000 and a tax benefit of USD303,000 were recognised relating to prior years.

New and amended accounting standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13 - Fair value measurements, IFRS 8 - Operating segments and IAS 24 - Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the consolidated financial statements.

- IAS 19 - Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. This amendment did not have a material impact on the consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

IFRS 9, Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 15, Revenue from contracts with customers ("IFRS 15"), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16"), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All subsidiaries, as listed in note 26, have been consolidated into the Company's consolidated financial statements.

Inter-Company transactions, balances and unrealised gains or losses between subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as the Company.

Loss of control

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations

The acquisition method of accounting is used to account for business combinations. The cost of acquisition is measured at the fair value of assets given, equity instruments issued and debt incurred or assumed at the date of acquisition, being the date on which the Company gains control. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. The excess of the cost over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If the cost is less than the fair value of net assets acquired, the difference is recognised directly in the statement of comprehensive loss.

Joint arrangements

The Company classifies its interests in joint arrangements as either joint operations (if the company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

Where the Company has an interest in a joint operation, it recognises its own assets, liabilities and transactions, including its share of those incurred jointly interests in joint operations.

The Company's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's investment is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the joint venture, less distributions received and less any impairment in value of the investment. The Company's consolidated statement of comprehensive income reflects the Company's share of the profit or loss after tax and other comprehensive income of the jointly venture, until the date on which significant influence or joint control ceases.

When the Company's share of losses in the joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Financial statements of joint ventures are prepared for the same reporting year as the Company.

The Company recognises the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other parties in the joint venture. The Company does not recognise its

share of profits or losses that results from the purchase of assets by the Company from the joint venture until when the asset is resold or, where relevant, as the asset is depreciated by the jointly controlled entity.

In circumstances where the significant risks and rewards of ownership of non-monetary assets transferred have not been transferred to the jointly controlled entity, the associated gain or loss is unrealised and, thus, not recognised in profit or loss but recognised as a deferred gain on the consolidated statement of financial position. The deferred gain is recognised in the consolidated statement of comprehensive income when the asset is resold or, where relevant, as the asset is depreciated by the joint venture.

Accounting policies of the joint venture are consistent with accounting policies adopted by the Company.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers have been identified as the Executive Directors that make strategic decisions.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), translated into USD where relevant. These consolidated financial statements are presented in USD, which is the Company's presentation currency.

All monetary assets and liabilities denominated in foreign currencies are translated into USD at the rate of exchange in effect at the reporting date. Non-monetary assets are translated at historical exchange rates.

Revenue and expense items (excluding depreciation and amortisation which are translated at the same rates as the related assets) are translated at the average rate of exchange.

Exchange gains and losses arising on translation are taken to the consolidated statement of comprehensive income.

Oil and gas exploration and evaluation expenditure

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Exploration and evaluation expenditures, including license acquisition costs, are capitalised as exploration and evaluation assets when incurred. Expenditures directly associated with an exploration well are capitalised until the determination of reserves is evaluated. All other associated exploration and evaluation expenditures are carried forward as an intangible asset in the consolidated statement of financial position where the rights of tenure of the property are current and it is considered probable that the costs will be recouped through successful development of the property, or alternatively by its sale. Capitalised exploration and evaluation expenditures are written down to recoverable amount where the above conditions are no longer satisfied.

If it is determined that a commercial discovery has not been achieved in relation to the property, all other associated costs are written down to their recoverable amount. If commercial reserves are found,

exploration and evaluation intangible assets are tested for impairment and transferred to appraisal and development tangible assets as part of Property, plant and equipment. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Farm-out arrangements

The Company reflects exploration and evaluation asset farm-out arrangements, when the acquirer ("the farmee") correspondingly undertakes to fund carried interests as part of the consideration, on a historical cost basis by recognising only cash payments received, with no consideration in respect of the value of the work to be performed by the farmee. The Company carries the remaining interest at the previous cost of the full interest reduced by the amount of any cash consideration received from the farmees entering the agreement, through crediting any proceeds pro rata to the accounts, whether capital or expense, in which such costs were initially recorded. As farm-out terms are likely to be unique to any single transaction, this policy will be reviewed on a transaction by transaction basis.

Test production and the appraisal and development phase

Test production is production that is generated in the appraisal and development phase before commercial discovery of oil or gas is officially recognised. Revenue generated from test production is credited against the cost of the well until commercial and technical feasibility is established and the project is deemed to have crossed over into the production phase. Revenue and costs generated from a field classified as operating in the production phase is recorded through the income statement.

Oil and gas properties in the production phase

Oil and gas properties within Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Once commercial production in an area of interest has commenced, oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable

reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

Other property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Drilling rigs and related oil and gas equipment	Straight line	5 – 7 years
Smaller rig related equipment	Straight line	6 – 8 years
Vehicles	Straight line	4 years
Computer equipment	Straight line	3 years
Office equipment	Straight line	5 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the consolidated statement of comprehensive income.

Impairment of non-financial assets

Exploration and evaluation costs are tested for impairment when reclassified to oil and gas properties or whenever facts and circumstances indicate potential impairment. An impairment loss is recognised for the amount by which the exploration and evaluation expenditure's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure's fair value less costs to sell and their value in use.

Values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of comprehensive income so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying

amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Asset retirement obligation ("ARO")

Provision is made for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognised when a legal or constructive obligation arises.

The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of exploration and evaluation expenditure or oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of ARO is capitalised, whilst the charge arising from the accretion of the discount applied to the ARO is treated as a component of finance costs.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's consolidated statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. There were no own-use derivative contracts in place during the year.

Restricted cash

Non-current restricted cash comprises interest bearing deposits held in Kazakhstan that have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations. They are carried at fair value with gains or losses taken to the consolidated statement of comprehensive income.

Current restricted cash comprises monies placed on temporary deposit as security against corporate credit cards and a deposit with the Ministry of Finance in Dubai as fixed term deposits with banks.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables in the consolidated statement of financial position.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, net of any impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive loss. When a trade receivable is not collectable, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. These are carried at fair value with gains or losses recognised through the consolidated statement of comprehensive income.

Financial liabilities - borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received net of direct issue costs.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract was entered into and are subsequently re-measured at their fair value with changes in the fair value immediately recognised in the consolidated statement of comprehensive income.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination.

Inventories

Inventories consist of refined oil products, spare parts and consumable materials and are shown at the lower of cost and net realisable value. Cost is determined on a weighted average cost method for refined oil products and the first-in-first-out method for spare parts and consumable materials inventories.

Non-current assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities (known as disposal groups) are classified as held-for-sale when their carrying amounts will be recovered principally through sale and are presented separately on the face of the statement of financial position. The comparative statement of financial position is not re-presented when non-current assets or disposal groups are classified as held-for-sale.

Where a sale plan meets the above criteria and involves the loss of control of a subsidiary, all assets and liabilities of the subsidiary are classified as held-for-sale regardless of whether a non-controlling interest is retained in the subsidiary after the sale.

Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held-for-sale are not depreciated.

A discontinued operation is a component of the group's business that either has been disposed of or is classified as held-for-sale and is part of a co-ordinated single plan to dispose of all or substantially all of a separate major line of business or geographical area of operations.

Discontinued operations are presented separately on the face of the statement of comprehensive income, and related cash flow information is disclosed. The comparative statement of comprehensive income and cash flow information is re-presented for discontinued operations.

Taxation including deferred taxation

The tax expense represents current tax and deferred tax.

Current tax is based on the taxable profits for the year. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability settled.

Share–based payments

The Company operates share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and warrants) of the Company. The fair value of the employee options and warrants granted in exchange for the employee services is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. When options vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Warrants

Warrants issued to loan holders are regarded as derivative instruments, with a fair value at inception representing the value attributable to the option to convert the warrants into equity of the Company.

For warrants issued to loan holders by the Company, where there is a difference between the currency in which shares of the parent company are denominated and the functional currency of the Company, the option to convert the warrants is recorded as a derivative liability because it is not a contract to exchange a fixed number of shares for a fixed amount of US dollars. The derivative liability component is separately identified and measured at fair value through the consolidated statement of comprehensive income.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. The increase in the provision due to passage of time is recognised as interest expense.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of natural gas and oil products in the ordinary course of the Company's activities and is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities as described below. Revenue is shown after eliminating sales within the Company.

Revenue from natural gas and oil sales is recognised when it has been lifted and the risk of loss transferred to a third-party purchaser and is shown net of value-added tax. Value-added tax is paid on goods and services

purchased and collected on sales of goods and services. At the end of a stipulated period, a deficit is refunded and a surplus is paid to the local tax authority.

The Company recognises finance income earned on the Company's cash and cash equivalents and short term investments on an accruals basis.

Sales expenses

Sales expenses represent agent commissions paid in relation to securing its gas sales contracts and are accrued as gas sales revenue is generated.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset or project under construction are capitalised and added to the asset or project cost during construction until such time as the asset or project is substantially ready for its intended use. Where funds are specifically borrowed to finance an asset or project, the amount capitalised represents the actual amount of borrowing cost incurred. Where funds used to finance an asset or project form part of general borrowings, the amount capitalised is calculated by using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Fair value

The fair value of investments, trade and other receivables, trade and other payables approximate their carrying amounts due to the short term maturity of the instruments. Derivative financial instruments are recorded at fair value with movements in fair value recognised through the consolidated statement of comprehensive income.

Amortised Cost

Loan receivables, long term debt and other non-current liabilities have been recorded at amortised cost using the effective interest rate method.

3 Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Executive Board of Directors has overall responsibility for the Company's management of risk, including the identification and analysis of risks faced by the Company and the consideration of controls that monitor changes in risk and minimise risk wherever possible.

a) Financial risk factors

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk arises from the Company's loans receivable from jointly controlled entities, cash and cash equivalents and accounts receivable balances.

With respect to the Company's financial assets, the maximum exposure to credit risk due to default of the counter party is equal to the carrying value of these instruments.

The maximum exposure to credit risk as at the reporting date is:

	2015	**2014**
Trade receivables	918	-
Cash and cash equivalents	3,272	3,112
Restricted cash	2,448	739
	6,638	**3,851**
Assets of disposal group held for sale (note 19):		
Trade receivables	-	1,540
Cash and cash equivalents	-	757
Restricted cash	-	1,922
Loans receivable from jointly controlled entities	-	1,500
	-	**5,719**
Total	**6,638**	**9,570**

Concentration of credit risk associated with the above trade receivable balances in Kazakhstan is as a result of contracted sales to two customers during the year. The Company is dependent upon these customers for sales due to the location of oil production and the requirement to sell gas to the State Company. At December 31, 2015, the trade receivable amounted to USD918,000 (2014: USD1,540,000). There are no trade receivables overdue past 30 days (2014: USD nil).

Although a significant amount of the deposits at financial institutions are not covered by bank guarantees, the Company does not believe there to be a significant risk of credit loss as the majority of counterparty banks used are those with high credit ratings (A- or equivalent) assigned by international ratings agencies (Fitch and Standard and Poors). Banks used in Central Asia generally do not have credit ratings assigned by

international ratings agencies, however, deposits held with these banks are kept to a minimum as much as possible.

The Company is exposed to credit risk in relation to its loans receivable from jointly controlled entities to the extent that the jointly controlled entities fail to meet their contractual obligations. The Company does not believe that the balance is impaired at the reporting date. The carrying amount of the loans receivable represents the maximum exposure to credit risk at each balance sheet date.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. Since inception, the Company has incurred significant consolidated losses from operations and negative cash flows from operating activities, and has an accumulated deficit at December 31, 2015. Refer also to note 2 - Going concern.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2015	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Thereafter**
Non-derivative financial liabilities						
Trade and other payables	14,322	14,322	14,189	133	-	-
Financial liabilities - borrowings (note 21)	32,032	37,772	11,924	25,848	-	-
Total	**46,354**	**52,094**	**26,113**	**25,981**	**-**	**-**

As at December 31, 2014	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-3 years**	**4-5 years**	**Thereafter**
Non-derivative financial liabilities						
Trade and other payables	4,102	4,102	4,102	-	-	-
Financial liabilities - borrowings (note 21)	10,628	12,213	5,963	6,250	-	-
Total	**14,730**	**16,315**	**10,065**	**6,250**	**-**	**-**
Liabilities of disposal group held for sale (note 19)						
Trade and other payables	5,710	5,710	5,504	159	47	-
Financial liabilities – borrowings (note 21)	4,871	5,525	3,235	2,290	-	-
Total	**10,581**	**11,235**	**8,739**	**2,449**	**47**	**-**

It is not expected that the cash flows included in the maturity schedule could occur significantly earlier, or at significantly different amounts.

There can be no assurance that debt or equity financing will be available or sufficient to meet the Company's requirements or if debt or equity financing is available, that it will be on terms acceptable to the Company (see note 2 – Going concern). The inability of the Company to access sufficient capital for its operations could have a material adverse impact on the Company's financial condition, results of operations and prospects.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rate and foreign exchange rates.

Commodity price risk

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the price received for sales of gas and refined oil products. The marketability and price of natural gas and oil that is produced and may be discovered by the Company will be affected by numerous factors that are beyond the control of the Company.

Natural gas prices are subject to wide fluctuations. The Company has therefore entered into a fixed price contract for sales of gas from the Kyzyloi field in Kazakhstan. However, any material decline in natural gas prices could result in a reduction of Tethys' future net production revenues and impact on the commercial viability of the Company's existing and future oil and gas discoveries. It may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in volumes and the value of Tethys' gas reserves, if the Company elected not to produce from certain wells at lower prices.

Any material decline in oil product prices could result in a reduction of the Company's oil revenues in Kazakhstan.

All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in its acquisition and development activities.

There were no commodity price financial derivatives outstanding as at December 31, 2015 and 2014.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Existing long term debt is agreed at fixed interest rates and consequently has limited exposure to changes in market interest rates.

The Company is exposed to interest rate risk on short term deposits to the extent that reductions in market interest rates would result in a decrease in the interest earned by the Company. A decrease of 1% in the interest rate would have had minimal impact on the Company's results for the year (2014: USD23,000).

As at the reporting date the Company's interest rate profile was:

As at December 31, 2015	Fixed rate financial instruments	Variable rate financial instruments	Total
Restricted cash	2,233	215	2,448
Cash and cash equivalents	-	3,272	3,272
Financial liabilities - borrowings	(32,032)	-	(32,032)
Total	**(29,799)**	**3,487**	**(26,312)**

As at December 31, 2014	Fixed rate financial instruments	Variable rate financial instruments	Total
Restricted cash	623	116	739
Cash and cash equivalents	-	3,112	3,112
Financial liabilities - borrowings	(6,726)	(3,902)	(10,628)
Total	**(6,103)**	**(674)**	**(6,777)**
Liabilities of disposal group held for sale (note 19)			
Restricted cash	1,922	-	1,922
Cash and cash equivalents	-	757	757
Financial liabilities - borrowings	(4,871)	-	(4,871)
Total	**(2,949)**	**757**	**(2,192)**

Foreign exchange risk

The Company is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Company's cash flow and future profits. The Company is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the USD. In addition, a portion of expenditures in the UK, Kazakhstan, Tajikistan and Georgia are denominated in local currency, Sterling, Tenge, Somoni and Lari, respectively. The Company also attempts to negotiate exchange rate stabilisation conditions in new local Tenge denominated service and supply contracts in Kazakhstan.

The Company holds the majority of its cash and cash equivalents in USD. However, the Company does maintain deposits in other currencies, as disclosed in the following table, in order to fund ongoing general and administrative activity and other expenditure incurred in these currencies.

The carrying amounts of the Company's significant foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

In USD'000 equivalent as at December 31, 2015	GBP[1]	KZT[1]
Cash and cash equivalents	246	641
Trade and other receivables	166	4,513
Trade and other payables	(796)	(366)
Financial liabilities –borrowings	(2,170)	(2,571)
Net exposure	**(2,554)**	**2,217**

In USD'000 equivalent as at December 31, 2014	GBP	KZT
Cash and cash equivalents	1,788	754
Trade and other receivables	34	9,532
Trade and other payables	(184)	(2,393)
Financial liabilities –borrowings	(2,769)	(4,871)
Net exposure	**(1,131)**	**3,022**

Note 1 – GBP- British Sterling Pound, KZT – Kazakhstani Tenge

The following table details the Company's sensitivity to a 10% movement in USD against the respective foreign currencies, which represents management's assessment of a reasonably likely change in foreign exchange rates.

Effect to profit or (loss) before tax in USD'000	2015	2014
GBP	(255)	(113)
KZT	222	302
Total	**(33)**	**189**

A 10% strengthening of the USD against the currencies above at December 31, 2015 would have had an equal but opposite effect on the amounts shown above, assuming all other variables remained constant.

b) Capital risk management

The Company's capital structure is comprised of shareholders' equity and net debt.

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

The Company funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity and some 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 Company'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.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2015	2014
Total financial liabilities - borrowings (note 21)	32,032	10,628
Total financial liabilities – borrowings of disposal group (note 19)	-	4,871
Less: cash and cash equivalents	(3,272)	(3,112)
Less: cash and cash equivalents of disposal group (note 19)	-	(757)
Net debt/(funds)	**28,760**	**11,630**
Total equity	131,570	205,750
Total capital	160,330	**217,380**

If the Company is in a net debt position, the Company will assess whether the projected cash flow is sufficient to service this debt and support ongoing operations. Consideration will be given to reducing the total debt or raising funds through an alternative route such as the issuing of equity. Refer also to note 2 – Going concern.

c) Fair value hierarchy

The tables below analyse financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. The Company does not have any assets or liabilities that require Level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. For the Company, Level 2 inputs include prices that can be corroborated with other observable inputs for substantially the complete term of the contract.

Level 3: Unobservable inputs. For the Company, Level 3 inputs include production and price assumptions that are not based on observable market data (unobservable inputs) or are reliant on adjustments or interpolations are made by management to an otherwise standard valuation model.

Warrants (note 21.2)	2015	2014
Level 1	-	-
Level 2	275	-
Level 3		-
Total	**275**	**-**

4 Critical judgements and accounting estimates

The preparation of financial statements requires management to make certain judgements, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Accordingly, the impact of these estimates, assumptions and judgments on the consolidated financial statements in future periods could be material. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Critical accounting estimates and assumptions

The significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are summarised as follows:

Recoverability of asset carrying values

The Company assesses its property, plant and equipment and intangible exploration and evaluation assets, for possible indicators of impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Company's business plans, market capitalisation, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

If there are low oil prices or natural gas prices during an extended period, the Company may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, the higher of fair value less cost of disposal ("FVLCD") or value-in-use ("VIU"). Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil, natural gas and refined products.

Due to declining global oil and gas prices and carrying amount of the assets is more than the Company's market capitalisation, indicators of impairment were noted for Kazakhstan Cash Generating Units ("CGUs"). Based on the impairment test performed by management, the recoverable amount of all CGUs exceeded their carrying values. The FVLCD was calculated using a discounted cash flow model based on the proved plus probable reserves using forecast oil and gas prices and an after-tax discount rate of 13% for all CGUs. The cash flow model used is considered a level 3 fair value technique.

FVLCD calculation assumes the following forecast oil and gas sales prices in US$/bbl and US$/Mcm, respectively, which was based on the December 31, 2015 price decks prepared by the Company's independent reserve evaluator.

Year	Domestic gas Mcm	Export gas Mcm	Domestic oil bbl	Export oil bbl
2016	58.33	144.99	8.94	28.26
2017	58.33	168.44	12.48	32.87
2018	64.91	261.99	18.56	57.36
2019	99.85	261.99	20.38	67.36
2020	114.11	261.99	20.59	68.56
2021	115.82	261.99	20.81	69.78
2022	117.56	261.99	21.03	71.01
2023 and thereafter	119.32	261.99	21.25	72.27

Oil and gas reserves

Proved and probable oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure costs and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Asset retirement obligation

Provisions for environmental clean-up and remediation costs associated with the Company's drilling operations are based on current legal or constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for tax assessments based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Functional currency

The Company has foreign operations, principally in Kazakhstan. Significant judgement is required in determining the functional currency of those operations with consideration given to the currency of the primary economic environment in which it operates. This includes assessing inter alia the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods. A number of secondary factors are also taken into account.

Other significant areas of judgement

The significant areas of critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are summarised as follows:

Going concern

The Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the date of approval of the Consolidated Financial Statements, in determining the ability of the Company to adopt the going concern basis in preparing the Consolidated Financial Statements for the year ended December 31, 2015. The assessment of the Company's ability to execute its strategy to meet its future funding requirements involves judgement.

Disposal group held for sale

Classification of Disposal Group as Held for Sale and Discontinued Operations requires that an entity classify assets or a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and if the sale is highly probable. See note 19 for further details.

Fair value of stock based compensation and warrants

The estimates and assumptions made in relation to the fair value of stock based compensation and warrants and the associated expense recognition are subject to measurement uncertainty. The estimated fair values of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

CGU Identification

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors its operations.

5 Discontinued operations

The Board formally decided in December 2013 to exit from Uzbekistan and the results of the Uzbekistan segment have been disclosed as a discontinued operation and shown separately from the results of the Company's continuing operations in Kazakhstan, Tajikistan and Georgia. The results from discontinued operation can be summarised as follows:

	2015	**2014**
Expenses	(28)	(912)
Loss after tax	(28)	(912)
Cash flows from the discontinued operation were as follows:		
Net cash used in operating activities	(307)	(2,019)
Net cash used in discontinued operations	(307)	(2,019)

6 Segmental Reporting

Geographical segments

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions. Reports provided to the Executive Directors with respect to segment information are measured in a manner consistent with that of the consolidated financial statements. The assets and liabilities are allocated based on the operations of the segment and for assets, the physical location of the asset.

The Executive Directors consider the business from predominantly a geographic perspective and the Company currently operates in three geographical markets: Kazakhstan, Tajikistan and Georgia. The company has discontinued operations in Uzbekistan and the results for the Uzbekistan segment have been shown separately from the rest of the Company.

In Kazakhstan, the Company is producing oil and gas from the Kyzyloi and Akkulka fields and is undertaking exploration and evaluation activity in the Kul-bas field. In Tajikistan and Georgia, the Company is currently undertaking exploration and evaluation activity.

The Company also operates a corporate segment which acquired a number of drilling rigs and related oil and gas equipment which are utilised in Kazakhstan according to operational requirements.

The following is an analysis of the Company's revenue, results and assets by reportable segment:

2015	Kazakhstan	Tajikistan	Georgia	Other and corporate	Continuing operations	Uzbekistan[1]	Total
Gas sales	16,228	-	-	-	16,228	-	16,228
Oil sales	5,898	-	-	-	5,898	-	5,898
Other income	9	-	-	-	9	-	9
Other operating income	-	-	-	919	919	-	919
Segment revenue and other income	**22,135**	**-**	**-**	**919**	**23,054**	**-**	**23,054**
Inter-segment revenue	-	-	-	(919)	(919)	-	(919)
Segment revenue and other income from external customers	**22,135**	**-**	**-**	**-**	**22,135**	**-**	**22,135**
Loss from jointly controlled entity	(2,796)	-	-	-	(2,796)	-	(2,796)
Loss before taxation	**(26,842)**	**(25,934)**	**(4)**	**(15,393)**	**(68,173)**	**(28)**	**(68,201)**
Taxation	(6,234)	-	-	(196)	(6,430)	-	(6,430)
Loss for the year	**(33,076)**	**(25,934)**	**(4)**	**(15,589)**	**(74,603)**	**(28)**	**(74,631)**
Total assets	137,733	22,026	12,944	17,666	190,369	-	190,369
Total liabilities	17,450	9,160	1	32,098	58,709	90	58,799
Cash expenditure on exploration & evaluation assets, property, plant and equipment	2,754	4,631	908	-	8,293	-	8,293
Depreciation, depletion & amortisation	25,388	-	-	3,343	28,731	-	28,731

Note 1 - Discontinued operation in 2013 (note 5).

In Kazakhstan sales were made to two customers representing greater than 10% of total segment revenue of USD16,228,000 and USD5,898,000.

Borrowing costs of USD595,000 and USD724,000 incurred in the Corporate segment were capitalised in the Kazakhstan and Tajikistan segments respectively during the year.

There was no capitalisation of amortisation of assets held in the Corporate segment during the year.

Total assets and liabilities for Tajikistan include the underlying assets of Seven Stars Energy Corporation ("SSEC"), in which the Company has an 85% ownership interest, and its subsidiaries.

2014	**Kazakhstan**	**Tajikistan**	**Georgia**	**Other and corporate**	**Continuing operations**	**Uzbekistan[1]**	**Total**
Gas sales	8,191	-	-	-	8,191	-	8,191
Oil sales	18,920	-	-	-	18,920	-	18,920
Other income	26	252	-	-	278	-	278
Other operating income	-	-	-	2,019	2,019	-	2,019
Segment revenue and other income	**27,137**	**252**	**-**	**2,019**	**29,408**	**-**	**29,408**
Inter-segment revenue	-	-	-	(2,019)	(2,019)	-	(2,019)
Segment revenue and other income from external customers	**27,137**	**252**	**-**	**-**	**27,389**	**-**	**27,389**
(Loss)/profit from jointly controlled entity	(1,356)				(1,356)	-	(1,356)
Profit / (loss) before taxation	**5,634**	**(1,486)**	**(9)**	**(19,149)**	**(15,010)**	**(912)**	**(15,922)**
Taxation	(51)	(96)	-	(316)	(463)	-	(463)
Net profit / (loss) for the year	**5,583**	**(1,582)**	**(9)**	**(19,465)**	**(15,473)**	**(912)**	**(16,385)**
Total assets	172,514	35,654	12,175	18,344	238,687	8	238,695
Total liabilities	16,092	2,400	178	13,867	32,537	408	32,945
Cash expenditure on exploration & evaluation assets, property, plant and equipment	19,288	4,212	2,297	272	26,069	-	26,069
Depreciation, depletion & amortisation	-	-	-	1,270	1,270	-	1,270

Note 1 - Discontinued operation in 2013 (note 5).

In Kazakhstan sales were made to two customers representing greater than 10% of total segment revenue of USD18,920,000 and USD8,191,000.

Borrowing costs of USD451,681 and USD352,892 incurred in the Corporate segment were capitalised in the Kazakhstan and Tajikistan segments respectively during the year.

Amortisation of USD113,515 of assets held in the Corporate segment was capitalised during the year.

7 Sales and other operating revenues

	2015	2014
Gas sales	16,228	8,191
Oil sales	5,898	18,920
Other revenue	9	278
Revenue from continuing operations	**22,135**	**27,389**

8 Administrative expenses

Administrative expense by nature	2015	2014
Staff expenses	4,458	8,871
Office costs	941	1,989
Professional fees	1,503	2,348
Travel expenses	828	2,278
Regulation costs	391	406
Directors costs	439	372
Other administrative expenses	932	1,383
Total	**9,492**	**17,647**

9 Restructuring costs

	2015	2014
Restructuring costs	3,247	2,585
Restructuring provision	360	1,759

On December 1, 2014 the Company announced a downsizing program with staff reductions and cost reductions in all key general and administrative expenses areas. At the same time the Company announced its intention to close its Dubai, Washington and Toronto offices as soon as practical. During 2015 the Company also closed offices in Guernsey, Brussels, Maastricht, Beijing and Tbilisi. The costs associated with this programme of restructuring have been shown in the Consolidated Statement of Comprehensive Income/(Loss) separately from administrative expenses to provide additional information in relation to these expenses.

10 Share-based payments

The Company has adopted a stock incentive plan referred to as the “2007 Long Term Stock Incentive Plan” pursuant to which the Company may grant stock options to any director, employee or consultant of the Company, (collectively, “Service Providers”).

The maximum number of Ordinary Shares reserved for issuance under the plan equals 12% (2014: 12%) of the outstanding Ordinary Shares. The plan is administered by the Compensation and Nomination Committee of the Board of Directors. Options may be granted pursuant to recommendations of the Compensation and Nomination Committee. The Compensation and Nomination Committee may determine the vesting schedule and term, provided that options may not have a term exceeding ten years. Subject to any resolution

passed by the Compensation and Nomination Committee, options will terminate three months after an option holder ceases to be a Service Provider.

The exercise price of options granted under the plan may not be less than the closing price of Ordinary Shares on the principal stock exchange where the Ordinary Shares are listed as of the date of the option grant. The plan contains amendment provisions which allow amendments to the plan by the Board of Directors, without shareholder approval, for amendments of a “housekeeping” nature, changes to vesting or termination provisions, and discontinuance of the plan. The plan also provides that outstanding options will vest immediately on the occurrence of a “change of control” (as defined in the plan). Options granted under the plan are only assignable to certain related entities of an option holder or otherwise with the consent of the Company.

Options granted prior to 2015 vest in three tranches with one third vesting immediately, one third after one year and one third after two years. For grants made in 2015, in general, the options vest in three tranches with one third vesting at end of each year over a period of 3 years. In both instances, these options are equity settled share based payment transactions.

The following table lists the options outstanding at December 31, 2015 by exercise price:

Exercise price	Exercise price USD equivalent	Options outstanding	Weighted average remaining term (in years)	Options exercisable	Weighted average remaining term (in years)
CAD 0.80	0.60	90,000	2.92	90,000	2.92
CAD 0.88	0.66	1,758,000	1.31	1,758,000	1.31
CAD 1.72	1.29	150,000	0.18	150,000	0.18
GBP 0.15	0.20	8,027,500	4.06	n/a	n/a
GBP 0.17	0.23	1,000,000	3.90	1,000,000	3.90
Total		**11,025,500**	**3.54**	**2,998,000**	**2.17**

The following table summarises the activity under the 2007 Long Term Stock Incentive Plan.

	2015		2014	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding at January 1	15,362,400	1.58	33,707,400	1.35
Granted	10,422,500	0.22	120,000	0.72
Forfeited	(1,545,000)	0.25	(10,000)	0.88
Expired	(13,214,400)	1.50	(18,455,000)	1.15
Outstanding at December 31	11,025,500	0.31	15,362,400	1.58
Exercisable at December 31	2,998,000	0.53	15,142,400	1.59

The fair value of the share-based payment grants is estimated using the Black-Scholes pricing model using the following average assumptions:

	2015	2014
Weighted average fair value	$0.0635	$0.1876
Risk free rate	1.15%	1.28%
Expected term	3.39 years	3.00 years
Volatility	66.8%	66.00%
Dividend	Nil	Nil
Weighted average share price of options exercised in year	n/a	n/a

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected option term.

Warrants classified as derivative financial instruments

The Company has issued warrants which are classified as derivative financial instruments. Details of these are given in note 21.2.

Warrants issued in connection with loans

The following table summarises the warrant activity for the years ended December 31, 2015 and December 31, 2014.

	2015		2014	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Outstanding at January 1	2,090,000	2.50	2,267,038	2.38
Expired	-	-	(177,038)	0.94
Outstanding at December 31	2,090,000	2.50	2,090,000	2.50
Exercisable at December 31	2,090,000	2.50	2,090,000	2.50

Of the warrants outstanding and exercisable at the end of the year, 280,000 (2014: 280,000) relate to warrants granted to the Company's officers.

There are no performance conditions attached to the warrants and all the granted warrants were immediately vested. Warrants are equity settled share based payment transactions.

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected warrant term.

The following table lists the warrants outstanding at December 31, 2015 by exercise price.

Exercise price ($)	Warrants outstanding	Weighted average remaining term (in years)	Warrants exercisable	Weighted average remaining term (in years)
2.50	2,090,000	1.98	2,090,000	1.98

11 Taxation

Tethys is domiciled in the Cayman Islands which has no Company income tax. The Company also operates in other tax jurisdictions, the most significant of which is Kazakhstan where the tax rate is 20%. The provision for income taxes is different from the expected provision for income taxes for the following reasons:

	2015	2014
Loss before income taxes from continuing operations	(68,173)	(15,010)
Income tax rate	20%	20%
Expected income tax recovery	(13,635)	(3,002)
Decrease resulting from:		
Non-deductible expenses net of functional currency foreign exchange impact	445	(3,804)
Revisions in tax estimates and foreign exchange impact on tax pools	11,565	2,353
Impact of effective tax rates in other foreign jurisdictions	8,385	2,892
Losses and tax assets not utilised/recognised	(330)	2,024
	6,430	**463**
Current tax expense	210	425
Deferred tax expense	6,220	38
Total	**6,430**	**463**

The temporary differences comprising the deferred income tax (asset)/liability are as follows:

	2015	2014
Tax losses	226	258
Deferred tax asset	**226**	**258**
Capital assets	13,008	-
Other	(2,216)	-
Deferred tax liability	**10,792**	**-**
Liabilities of disposal group (note 19)		
Capital assets	-	7,249
Tax losses	-	(3,034)
Other	-	348
Net deferred tax liability	**-**	**4,563**

No current and deferred tax was charged or (credited) to equity or other comprehensive income. Total tax for the year was charged (credited) to the statement of comprehensive income.

Deferred income tax assets are recognised for tax loss carry forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has not recorded deferred tax assets in respect of the following temporary differences:

	2015	2014
Capital assets	31,797	7,662
Tax losses	39,627	3,248
Other	639	772
Total	**72,063**	**11,682**

Earnings retained by subsidiaries amounted to USD12.8 million at December 31, 2015 (December 31, 2014 - USD15.9 million). No provision has been made for withholding and other taxes that would become payable on the distribution of these earnings as it is not expected that they will be remitted in the foreseeable future.

12 Loss per share

		2015		2014	
	Units	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Loss for the purpose of basic and diluted loss attributable to ordinary shareholders	$'000	(74,601)	(28)	(15,115)	(912)
Weighted average shares	000s	336,717	336,717	320,555	320,555
Per share amount	$	(0.22)	-	(0.05)	-

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares, comprising share options and warrants, are currently anti-dilutive and therefore there is no difference between basic and diluted earnings per share. The number of potential ordinary shares excluded from the calculation is 5,088,000 (2014: 17,232,400).

13 Intangible assets

Exploration and evaluation assets	Kazakhstan	Georgia	Tajikistan	Total
January 1, 2014	-	-	31,074	31,074
Additions	-	11,996	4,560	16,556
December 31, 2014	-	11,996	35,634	47,630
Additions	129	909	12,284	13,322
Exploration and evaluation expenditure written off	-	-	(25,918)	(25,918)
Transfer from assets held for sale	29,168	-	-	29,168
December 31, 2015	**29,297**	**12,904**	**22,000**	**64,202**

USD25,918,000 was written off from the Bokhtar Production Sharing Contract “PSC”) to reduce the carrying value of investments to their estimated recoverable amount.

Borrowing costs of USD734,000 (2014: USD352,892) have been capitalised within exploration and evaluation assets during the year. The effective weighted average interest rate of the relevant borrowings was 16% (2014: 16%). The effective interest rate is higher than the nominal rate due to the cost of associated warrants (note 21.2) and royalties (note 21.3).

For the year ended December 31, 2015, USD1,739,000 (2014: USD2,176,619) was capitalised from staff costs and share-based payment expense.

Tajikistan – Impairment

The Company’s exploration and evaluation assets in Tajikistan is held via an effective 28.33% participating interest in Bokhtar Production Sharing Contract (“PSC”), with its partners Total and CNPC. The Company ceased paying cash calls from September 2015 and due to the default was issued with a Notice to Withdraw

from Total and CNPC. The Company is exploring various strategic alternatives with respect to the Tajikistan interests. The recoverable amount was determined using the higher of fair value less cost of disposal ("FVLCD") or value-in-use ("VIU"). FVLCD was established with reference to a valuation completed by a third party valuation expert using recent market transactions and comparable offers for the assets adjusted for changes in market conditions. As a consequence, The Company have written off USD25,918,000 of its carrying value to an estimated recoverable amount of USD22,000,000. The recoverable amount was categorized as Level 3 fair value based on the unobservable inputs used. The fair value is sensitive to changes in unobservable inputs mainly oil prices and the effect of changes to unobservable inputs could have a significant effect on the fair value. 5% change in such prices would impact the recoverable amount by US$xxx.

14 Property, plant and equipment

	Oil and gas properties			Oil and gas equipment			Other fixed assets[1]			Total net book amount
	Cost	Amortisation	Total	Cost	Depreciation	Total	Cost	Depreciation	Total	
January 1, 2014	**-**	**-**	**-**	**22,184**	**(7,575)**	**14,609**	**1,527**	**(845)**	**682**	**15,291**
Additions	-	-	-	-	-	-	326	-	326	326
Disposals	-	-	-	-	-	-	(163)	69	(94)	(94)
Amortisation and depletion	-	-	-	-	(1,307)	(1,307)	-	(412)	(412)	(1,719)
December 31, 2014	**-**	**-**	**-**	**22,184**	**(8,882)**	**13,302**	**1,690**	**(1,188)**	**502**	**13,804**
Additions	2,113	-	2,113	-	-	-	94	-	94	2,207
Transfer from assets held for sale	166,069	(43,367)	122,702	3,159	(696)	2,463	3,785	(2,764)	1,021	126,186
Disposals	-	-	-	-	-	-	(474)	405	(69)	(69)
Amortisation and depletion	-	(24,870)	(24,870)	-	(2,976)	(2,976)	-	(885)	(885)	(28,731)
December 31, 2015	**168,182**	**(68,237)**	**99,945**	**25,343**	**(12,554)**	**12,789**	**5,095**	**(4,432)**	**663**	**113,397**

Note 1 – Consists of vehicles, computer and office equipment.

Borrowing costs of USD585,000 have been capitalised to oil and gas properties in the current year (2014: USD246,504). The effective weighted average interest rate of the relevant borrowing was 16%, (2014: 16%). The effective interest rate is higher than the nominal rate due to the cost of associated warrants (note 21.2).

For the year ended December 31, 2015, USD627,000 (2014: USD1,172,732) was capitalised to oil and gas properties from staff costs and share-based payment expense.

"Oil and gas properties" assets with a net book value amounting to USD9,571,000 have been pledged by Tethys Aral Gas LLP ("TAG") as security for the bank loan facility (note 21.1).

15 Restricted Cash

	2015	2014
Non-current	2,233	623
Current	215	116
Total	2,448	739

Non-current amounts in the current period consists of interest bearing deposits held in Kazakhstan that have been placed to satisfy local Kazakh requirements in respect of asset retirement obligations and in the prior period a deposit of GBP 400,000 placed as security with respect to amounts owed to Vazon Limited, a company controlled by the Company's former Executive Chairman.

Current amounts consist of monies placed on temporary deposit as security against corporate credit cards and a deposit with the Ministry of Finance in Dubai.

16 Trade and other receivables

	2015	2014
Non-current		
Value added tax receivable	2,457	-
	2,457	**-**
Current		
Trade receivables	918	-
Prepayments	319	209
Other receivables	1,097	385
Value added tax receivable	1,376	40
	3,710	**634**
Assets of disposal group held for sale (note 19)		
Non-current		
Advances to construction contractors	-	575
Value added tax receivable	-	5,500
	-	**6,075**
Current		
Trade receivables	-	1,540
Prepayments	-	533
Other receivables	-	1,127
Value added tax receivable	-	2,304
	-	**5,504**

Non-current advances to construction contractors relate to suppliers who were paid in advance for materials and services relating to both the Akkulka and the Kul-Bas contracts.

Current trade and other receivables are unsecured and non-interest bearing. Normal payment terms for the Company are 30 days. Prepayments primarily relate to corporate operating expense items. There are no trade receivables overdue past 30 days (2014: USD nil). The other classes within trade and other receivables do not contain impaired assets.

17 Loan receivable from jointly controlled entity

Joint Venture – Aral Oil Terminal (Kazakhstan)

On February 16 2011, the Company signed a Joint Venture agreement with Olisol Investments Limited (“Olisol”) to construct and operate a rail oil loading terminal in Kazakhstan through a separate jointly controlled legal entity, Aral Oil Terminal LLP (“AOT”). The terminal is used to deliver and sell oil for the Akkulka block. In conjunction with the Company’s oil production facilities at the Akkulka field which enable the processing of oil to refinery specification, the Terminal significantly reduces trucking distances and provides storage capacity and unloading/loading facilities.

The following amounts represent the movements in the loan receivable:

	2015	2014
Transfer from assets of a disposal group held for sale (note 19)	1,500	-
Reclassification from investment in joint arrangements	867	-
Finance income on loan receivable	180	-
Provision made against loan receivable	(2,547)	-
Balance, end of year	**-**	**-**
Assets of disposal group held for sale (note 19)		
Balance, beginning of year	1,500	2,676
Share of profit	-	(1,356)
Finance income on loan receivable	-	180
Transfer out of assets of a disposal group held for sale (note 19)	(1,500)	-
Balance, end of year	**-**	**1,500**

The loan bears interest at 10% per annum, is unsecured and repayable on demand. At December 31, 2015, the Company recognised full impairment of the loan receivable from AOT due to the losses incurred by the terminal.

18 Investment in joint arrangements

Aral Oil Terminal (Kazakhstan)

As discussed in note 17, in 2011, the Company entered into a Joint Venture Agreement with Olisol under which it has a 50% interest in the jointly controlled entity, AOT. At December 31, 2015, investment in the joint venture was USD nil (2014: USD1,115,728). The Company has classified the arrangement as a joint venture and it is accounted for using the equity method of accounting. The key risk faced by AOT is its reliance on a single customer as currently only the oil produced by the Company is processed at the facility.

Summary financial information for AOT is as follows:

	2015	2014
Assets		
Non-current assets	3,544	7,463
Cash and cash equivalents	1	11
Current assets (excluding cash)	698	2,402
Total assets	**4,243**	**9,876**
Liabilities		
Non-current liabilities	-	464
Trade and other payables	379	1,118
Current liabilities (excluding trade and other payables)	8,256	10,136
Total liabilities	**8,635**	**11,718**
Net liabilities	**(4,392)**	**(1,842)**
50% share of net liabilities	(2,196)	(921)
Comprising:		
Share of shareholders' equity opening balance	(921)	487
Share of loss after tax in current year	(2,600)	(1,356)
Foreign currency translation	1,325	(52)
	(2,196)	**(921)**
	2015	**2014**
Revenue	1,197	1,581
Depreciation and amortisation	(707)	(877)
Other expenses	(1,283)	(2,663)
Foreign exchange loss	(4,031)	-
Interest expense	(740)	(936)
Loss before tax	**(5,564)**	**(2,895)**
Tax	364	184
Loss after tax from continuing operations and total comprehensive loss	**(5,200)**	**(2,711)**
50% share of joint venture loss after tax	**(2,600)**	**(1,356)**

A net book value of the joint venture's assets included under "Non-current assets" in the table above amounting to USD3,358,800 (2014: USD4,282,000) has been pledged by the Joint Venture as security for the bank loan facility (note 21.1).

Bokhtar Operating Company (Tajikistan)

On June 18, 2013, a subsidiary of the Company, Kulob Petroleum Limited ("Kulob"), completed a farm-out agreement with subsidiaries of Total Exploration and Production ("Total") and China National Petroleum Corporation ("CNPC") whereby each acquired a one third interest in Kulob's Bokhtar Production Sharing Contract. An operating company, Bokhtar Operating Company BV, has been established and is jointly owned by the three partners. The Company has classified the arrangement as a joint operation (where the company has rights to the assets, and obligations for the liabilities, relating to the arrangement) and recognises its own assets, liabilities and transactions, including its share of those incurred jointly, in accordance with the relevant IFRSs.

19 Assets and liabilities of disposal group held for sale

On November 1, 2013 Tethys announced the sale of a 50% interest in its Kazakhstan businesses to SinoHan Oil and Gas Investment Number 6 B.V. part of the HanHong Private Equity Management Company Limited, a Beijing, PRC based private equity fund. The Company announced on May 1, 2015 that the sale would not be taking place. The assets and liabilities of the Company's Kazakhstan businesses were therefore reclassified in the Consolidated Statement of Financial Position on that date from "assets of a disposal group held for sale" shown as current assets and "liabilities of a disposal group held for sale" shown as current liabilities to their previous categories.

The Company has measured the non-current assets that ceased to be classified as part of the disposal group classified as held for sale at the lower of its carrying amount before the disposal group was classified as held for sale, adjusted for the depletion, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale, and its recoverable amount at May 1, 2015. As a result, Depreciation, depletion and amortisation expense of USD19,357,000 was recognised in the current financial year.

20 Cash and cash equivalents

	2015	**2014**
Cash at bank and in hand	3,272	3,112
	3,272	3,112

Cash at bank balances earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Company, and earn interest at the respective short term deposit rates.

21 Financial liabilities

21.1 Borrowings

	Effective interest rate per annum	Maturity date	2015	2014
Current				
Escrow loan	Libor + 1.0%	2015	-	3,901
Rig loans	14.8%	2017	1,386	1,238
Kazakh loan	14.0%-15.9%	2016	2,571	-
Olisol loan	8.2%	2016	5,202	-
			9,159	**5,139**
Non-current				
Rig loans	14.8%	2017	3,995	5,489
Corporate loans	22.6%	2017	9,846	-
Convertible loans	10.6%	2017	9,032	-
			22,873	**5,489**
Liabilities of disposal group (note 19)				
Current				
Kazakh loan	14.0%-15.9%	2016	-	2,651
Non-current				
Kazakh loan	14.0%-15.9%	2016	-	2,220
Total			**-**	**4,871**

The fair value of financial liabilities held at amortised cost approximates the carrying value.

As at December 31, 2015, the Company is in compliance with all debt covenants relating to all borrowing contracts.

Escrow loan

On July 9, 2014, the Company entered into a loan agreement with SinoHan Oil & Gas Investment Number 6 BV whereby SinoHan agreed an early release of the escrow deposit made in connection with the sale transaction referred to in notes 2 and 19. The loan bore interest at the rate of 1 month US LIBOR plus 1% per annum and was repaid during the period following the failure of the transaction to complete.

Rig loans

On February 13, 2014, the Company entered into a loan agreement to borrow up to USD12 million. The loan is secured by the shares of the borrower, a wholly owned subsidiary of the Company, which in turn owns two drilling rigs and other equipment. At December 31, 2015, loans with a face value of USD4.7 million and GBP2.1 million have been borrowed under the agreement.

The lenders receive an initial repayment followed by 34 equal monthly instalments, incorporating interest and capital, together with a single balloon repayment of half of the principal amount at the maturity date.

These borrowings are held at amortised cost with interest payable of 12% per annum and an effective interest rate of 14.8% per annum.

Kazakh loan

On June 29, 2012, the Company announced that it had secured a loan facility from a Kazakh bank to fund capital expenditures in Kazakhstan (the "bank loan facility").

The bank loan facility was arranged by Eurasia Gas Group LLP, with the Company's consent, and is a bank loan to Eurasia Gas Group LLP, the Company's principal oil buyer and customer of the AOT, whereby Eurasia Gas Group LLP draws down on the bank loan facility with the approval of the Company and funds are transferred to the Company's subsidiary, TAG. The bank loan facility has a term of up to four years depending on the Company's requirements and bears an interest rate of between 12% and 15% per annum on sums drawn down.

In January 2013, the Kazakh loan arrangement was terminated and replaced with an arrangement whereby funds are advanced to the Company and repaid as a deduction against oil sales. Terms of the arrangement are principally the same (i.e. the principal repayment to be completed by April 2016 with monthly repayments of both principal and interest) and therefore, under IFRS, the amounts advanced continue to be treated as a loan.

A total of 1.9 billion KZT (USD12.9 million) of funds have been advanced to the Company under the loan agreement, with monthly repayments of both principal and interest (at a weighted average effective interest rate of between 14.0% and 15.9%). The outstanding balance of the loan at December 31, 2015 is shown in the table above.

In the event that oil production is suspended for more than 30 days, the outstanding amount is to be repaid to Eurasia Gas Group LLP within 30 days from the receipt of its notice of return.

Certain oil and gas property assets have been pledged by both TAG and AOT as security for the above-mentioned bank loan facility.

Corporate - New USD6.0 million loan financing

On January 16, 2015 the Company announced that it had secured a new USD6.0 million unsecured loan facility. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company issued the lender with 35,600,000 warrants over the Company's shares with a price of C$0.19. The Company valued these warrants at initial recognition at USD2.1 million. The warrants were surrendered during the period for the surrender value of USD2.1 million which has been added to the principal amount and is repayable on the two year maturity date.

Corporate - New USD3.5 million loan financing

On March 10, 2015 the Company secured a new USD3.5 million unsecured loan facility from Annuity and Life Reassurance Ltd ("ALR"), a company controlled by Pope Asset Management, the Company's largest shareholder. The principal is due at the end of two years with interest payments at the rate of 8% per annum being due every 6 months. The loan has been fully drawn down by the Company.

In connection with the loan financing, the Company has issued the lender with 23,333,333 warrants over the Company's shares with a price of C$0.19. The Company has valued these warrants at initial recognition at USD0.8 million.

Unsecured convertible loan facility from AGR Energy No. 1

On May 15, 2015, the Company issued USD7.5 million aggregate principal amount of convertible debentures (the "AGR Debentures") to AGR Energy Limited No. 1 ("AGR Energy No. 1"). The AGR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 75,000,000 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD180,000.

The AGR Debentures mature on June 30, 2017 and pay interest at a rate of 9% per annum.

Unsecured convertible loan facility from ALR

On June 1, 2015, the Company issued USD1,760,978 aggregate principal amount of convertible debentures to ALR (the "ALR Debentures") a company controlled by Pope Asset Management, the Company's largest shareholder. The ALR Debentures are convertible into Ordinary Shares, subject to customary adjustment provisions, at a conversion price of USD0.10 per share for an aggregate of up to 17,609,780 Ordinary Shares. The conversion option has been accounted for as an embedded derivative and valued by the Company at initial recognition at USD70,000.

The ALR Debentures pay interest at a rate of 9% per annum and mature on June 30, 2017.

Nostrum financing

On August 10, 2015 the Company entered into a new unsecured USD5.0 million term loan facility (the "Loan") with Nostrum Oil & Gas PLC with interest accruing at 9% per annum. The loan was repaid in full on November 27, 2015.

Olisol loan

On November 9, 2015 the Company entered into an interim convertible financing facility of up to USD15 million (the "Interim Financing Facility") with Olisol Petroleum Limited ("OPL"), a wholly owned subsidiary of Olisol. The Interim Financing Facility is convertible into Tethys ordinary shares at C$0.17 per share. The Interim Financing Facility has a maturity date of August 31, 2016 and bears interest at a rate of 9% per annum which together with the principal is payable at the maturity date.

As at December 31, 2015, the Company had drawn down USD5,132,000 from the facility and as required this was used to repay the loan from Nostrum Oil & Gas PLC.

21.2 Derivative financial instrument

Warrants

	2015	2014
Balance, beginning of year	-	17
Issued during the year	2,949	-
Fair value gain	(573)	(17)
Surrender of warrants (see note 21.1)	(2,101)	-
Balance, end of year	**275**	**-**

The warrant liability represents the financial liability relating to share warrants where the shares are denominated in a currency that is not the Company's functional currency. These warrants were issued in connection with the two corporate loans described in note 21.1.

The liability was initially recognised at fair value. As the warrants are denominated in foreign currency, there is a written option for the holder to exchange the foreign currency denominated warrant for a fixed number of functional currency denominated shares. This option is a derivative financial instrument and was initially recognised at fair value and subsequently measured at fair value through income.

The fair value of the liability is estimated using the Black-Scholes pricing model using the following average assumptions:

	2015	2014
Weighted average fair value	USD0.01	N/A
Risk free rate	0.48%	N/A
Expected term	1.2 years	N/A
Volatility	108.00%	N/A
Dividend	Nil	N/A

The following table summarises the warrant activity for the years ended December 31, 2014 and December 31, 2013.

	Number of warrants	Weighted average exercise price $
Outstanding at January 1, 2014	4,125,000	0.81
Expired	(4,125,000)	0.81
Outstanding at December 31, 2014	**-**	**-**
Issued	58,933,333	0.15
Surrender of warrants (see note 21.1)	(35,600,000)	0.15
Outstanding and exercisable at December 31, 2015	**23,333,333**	**0.15**

There are no performance conditions attached to the warrants and all the granted warrants were immediately vested. Warrants are equity settled share based payment transactions.

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected warrant term.

Convertible loans

In May and June 2015 the Company issued two convertible loans, the terms of which are described in note 21.1. The AGR Debentures contain a cash settlement feature which does not meet the conditions for compound instrument treatment in accordance with IAS 32.25 and/or IAS 32.26. As a result, the instrument is a hybrid instrument containing an embedded derivative conversion feature. The ALR Debentures contains a separate cash settlement feature, which requires the Company to indemnify the holder for the offer amount. This is treated as a contingent settlement provision under IAS 32.25. Accordingly, the instrument is a hybrid instrument containing an embedded derivative feature. The embedded derivative has been valued at inception and revalued at the period end and details are provided below.

	2015	**2014**
Issued during the year	250	-
Fair value gain	(250)	-
Balance, end of year	**-**	**-**

The fair value of the liability was estimated using a valuation model using the following assumptions:

	2015	**2014**
Credit spread	9.94%	N/A
Volatility	70.00%	N/A

21.3 Finance costs / (income)

The net finance cost / (income) comprises:

	2015	**2014**
Finance costs	3,513	1,450
Finance income	(184)	(203)
Total	**3,329**	**1,247**

22 Trade and other payables

	2015	2014
Current		
Trade payables	366	623
Accruals	11,710	3,266
Other creditors	2,113	213
	14,189	**4,102**
Non-current		
Other non-current payables	133	-
Total	**14,322**	**4,102**
Liabilities of disposal group held for sale (note 19)		
Current		
Trade payables	-	2,447
Accruals	-	2,162
Other creditors	-	895
	-	**5,504**
Non-current		
Other non-current payables	-	206
Total	**-**	**206**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accruals mainly represent cash calls outstanding to the Bokhtar Operating Company BV joint venture in Tajikistan.

23 Asset retirement obligations

	2015	2014
Transfer from liabilities of disposal group held for sale (note 19)	966	-
Change in estimated cash flow	(168)	-
Unwinding of discount due to passage of time	48	-
Total	846	-
Liabilities of disposal group held for sale (note 19)		
At January 1	948	795
Additional obligations incurred	-	87
Unwinding of discount due to passage of time	18	66
Transfer out of liabilities of disposal group held for sale (note 19)	(966)	-
Total	**-**	**948**

The Company makes provision for the future cost of decommissioning oil and gas production facilities and pipelines on a discounted basis. These costs are expected to be incurred between 2015 and 2029. The provision has been estimated using existing technology at current prices, escalated at 5.4% (2014: 5.4%) and discounted at 7.4 (2014: 7.4%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity prices and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures in the cost of third party service provision. The undiscounted amount of liability at December 31, 2015 is USD1,797,000 (2014: USD1,520,737).

24 Capital and reserves

Share capital and share premium

	2015	2014
Authorised		
Ordinary shares with a par value of $0.10 each	700,000,000	700,000,000
Preference shares with a par value of $0.10 each	50,000,000	50,000,000

Ordinary equity share capital **Allotted and fully paid**	**Number**	**Share Capital**	**Share Premium**
At January 1, 2014	**287,557,744**	**28,756**	**307,295**
Issued during the year – Georgia acquisition	12,000,000	1,200	4,550
Issued during the year – private placement	36,894,923	3,689	11,258
Share issue costs	-	-	(1,379)
At December 31, 2014	**336,452,667**	**33,645**	**321,724**
Issued during the year	507,720	51	79
At December 31, 2015	**336,960,387**	**33,696**	**321,803**

As at December 31, 2015, a total of 40,374,320 (2014: 40,374,320) ordinary shares are reserved under the Company's Long Term Stock Incentive Plan and Warrants granted by the Company. Details of the options and warrants are given in note 10.

The preference shares have the rights as set out in the Memorandum and Articles of Association approved at the AGM on April 24, 2008. Significant terms related to preference shares are summarised below:

- May be issued in one or more series;
- Are entitled to any dividends in priority to the ordinary shares;
- Confer upon the holders thereof rights in a winding-up priority to the ordinary shares;
- And may have such other rights, privileges and conditions (including voting rights) as the Board may determine prior to the first allotment of any series of preference shares, provided that if a series of preference shares has no or limited voting rights it shall be designated as such by the Board.

There are currently no preference shares outstanding (2014: None).

Other reserves

Other reserves comprise of option reserves and warrant reserves as set out in the Statement of Changes in Equity. The Option and Warrant Reserves relate to stock options and warrants issued to employees under the Long Term Incentive Plan, details of which are disclosed in note 10.

25 Non-controlling interest

The table below summarise the information relating to subsidiaries in which there is as a material non-controlling interest, before any group eliminations. In each case the non-controlling interest is 15%.

2015	Seven Stars Energy Corporation	Tethys Services Tajikistan Limited	Kulob Petroleum Limited
Non-current assets	-	1	32,320
Current assets	36,282	8	5,641
Non-current liabilities	-	-	-
Current liabilities	(1,118)	(1,133)	(41,306)
Net assets	**35,164**	**(1,124)**	**(3,345)**
Revenue	-	-	-
Profit/(loss) after tax	(2)	(16)	1
Cash balance at beginning of year	-	19	262
Cash balance at end of year	-	-	12

2014	Seven Stars Energy Corporation	Tethys Services Tajikistan Limited	Kulob Petroleum Limited
Non-current assets	-	2	24,023
Current assets	36,278	51	11,064
Non-current liabilities	-	-	-
Current liabilities	(3,272)	(1,160)	(38,434)
Net assets	**33,006**	**(1,107)**	**(3,347)**
Revenue	-	295	-
Profit/(loss) after tax	(1,444)	(696)	(343)
Cash balance at beginning of year	1,503	459	262
Cash balance at end of year	-	19	262

During 2015, Tethys Services Tajikistan Limited and Kulob Petroleum Limited had cash outflows in respect of operating costs and capitalised exploration and evaluation expenditure and cash inflows in the form of funding from Tethys companies.

26 Related party transactions

A list of the investments in subsidiary undertakings including the name, proportion of ownership interest, nature of business, country of operation and country of registration, is given below.

	Percentage	Nature of business	Country of registration	Country of operation
Subsidiaries				
Tethys Kazakhstan SA	100.00%	Holding company	Belgium	Belgium
Transcontinental Oil Transportation SPRL	100.00%	Holding company	Belgium	Belgium
Seven Stars Energy Corporation	85.00%	Holding company	BVI	Tajikistan
Tethys Uzbekistan Limited	100.00%	Holding company	Cayman Islands	Uzbekistan
Tethys Tajikistan Limited	100.00%	Holding company	Cayman Islands	Tajikistan
Imperial Oilfield Services Limited	100.00%	Rig owner	Cayman Islands	Cayman Islands
South Caucasus Petroleum Corporation	100.00%	Holding company	Cayman Islands	Georgia
Trialeti Petroleum limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Lisi Petroleum Limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Saguramo Petroleum Limited	100.00%	Georgian licence holder	Cayman Islands	Georgia
Kulob Petroleum Limited	85.00%	Tajik licence holder	Cayman Islands	Tajikistan
Resilient Petroleum Limited	100.00%	Holding company	Cayman Islands	Dormant
Baker Hughes (Cyprus) Limited	100.00%	Discontinued operation	Cyprus	Cyprus
Tethyda Limited	100.00%	Financing	Cyprus	Cyprus
Tethys Services Georgia limited	100.00%	Operating company	Georgia	Georgia
Tethys Services Guernsey Limited	100.00%	Service company	Guernsey	Guernsey
Tethys Aral Gas LLP	100.00%	Oil & gas E&P	Kazakhstan	Kazakhstan
Kul-Bas LLP	100.00%	Exploration	Kazakhstan	Kazakhstan
Tethys Services Kazakhstan LLP	100.00%	Service company	Kazakhstan	Kazakhstan
Asia Oilfield Equipment BV	100.00%	Equipment lease company	Netherlands	Kazakhstan
Tethys Services Limited	100.00%	Service company	United Kingdom	United Kingdom
Tethys Petroleum Incorporated	100.00%	Service company	USA	USA
Tethys Afghanistan Incorporated	100.00%	Inactive	USA	Dormant
Jointly controlled entities				
Aral Oil Terminal	50.00%	Oil terminal operations	Kazakhstan	Kazakhstan
Bokhtar Operating Company BV	28.33%	Joint operating company	Netherlands	Tajikistan

Transactions between the Company's subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Company has received two loans from Annuity and Life Reassurance Ltd ("ALR"), a company controlled by Pope Asset Management, which owns 19% of the Company's shares by virtue of which both Pope Asset Management and ALR are considered to be related parties of the Company.

There are no other related party transactions requiring disclosure.

Remuneration of key management personnel

Key management personnel have been identified as the five Vice Presidents, three Executive Directors and the Non-Executive Directors (2014: twelve Vice Presidents, four Executive Directors and the Non-Executive Directors) who have served during the year. The remuneration of the key management personnel of the Company is set out below in aggregate.

	2015	2014
Salaries and short-term employee benefits	3,099	5,698
Share-based payments	386	139
Total	**3,485**	**5,837**

Transactions with affiliates or other related parties including management of affiliates are recorded at their exchange amount.

27 Changes in working capital

	2015	2014
Trade and other receivables	2,431	(798)
Inventories	479	88
Trade and other payables	4,582	(2,083)
Change in working capital	7,492	(2,793)
Non-cash transactions	(8,015)	2,689
Net changes in working capital	**(523)**	**(104)**

Net changes in working capital are categorised in the Consolidated Statement of Cash Flows as follows:

	2015	2014
Operating activities	752	(389)
Investing activities	(1,275)	285
Balance	**(523)**	**(104)**

28 Commitments and contingencies

Litigation, claims and assessments

The Company is involved in claims and actions arising in the course of the Company’s operations and is subject to various legal actions and exposures, including potential environmental claims and tax positions taken by the Company. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the Company’s financial position, cash flows or results of operations. If an unfavourable outcome were to occur, there exists the possibility of a material adverse impact on the Company’s consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognised if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such claims. While fully supportable in the Company’s view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

Kazakhstan

The regulatory environment including tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsurface use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Company's tax positions. Non-compliance with Kazakhstan law and regulations as interpreted by the Kazakhstan authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstan tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained.

The work programme commitments Kazakhstan businesses can be summarised as follows:

	Kazakhstan Work Programme Commitments			
	Expiry date	**Program 2015**	**Spend to date 2015**	**Program 2016 & later**
Akkulka Production Contract (Gas)	2018			
Financial obligations, total		9,365	3,414	14,341
Investments		3,957	1,626	6,190
Kyzyloi Production Contract (Gas)	2029			
Financial obligations, total		7,488	2,593	55,023
Investments		1,886	1,231	12,060
Akkulka Exploration Contract (Oil)	2019			
Financial obligations, total		5,838	7,348	16,246
Investments		3,192	3,330	12,464
Kul-Bas Exploration Contract	2015			
Financial obligations, total		9,440	887	-
Investments		8,964	642	-
Total				
Financial obligations, total		**32,131**	**14,242**	**85,610**
Investments		**17,999**	**6,829**	**30,714**

General background

Work programmes for exploration and production contracts agreed with the Kazakh State include a required level of "Investments" as defined in the contracts. "Investments" includes capital expenditure, operating expenses, social sphere, sub-soil monitoring and specialist training costs. It is this required level of Investments that forms the principal financial obligation of the Company in respect of its work programme commitments and against which the Company is mainly measured by the relevant Kazakh State authorities along with production volumes in the Production Contracts. Failure by the Company to meet the required level of Investments could put the Company's licences at risk of forfeiture or give rise to penalties for non-fulfillment. Based on the under-fulfilment of commitments shown in the table above the State could potentially seek to impose penalties of up to USD1.9m, however, the Company would seek to argue mitigating circumstances to have any such penalties levied waived or reduced.

In addition, an assumed level of other costs forms part of the overall work programme (insurance, liquidation fund, indirect costs and taxes). Taken together with the Investments amount described above these form the Company's "Financial obligations, total" as defined in the contracts and as set out in the table above.

Apart from the Company's work programme commitments, other amounts may become payable to the Kazakh State in certain circumstances. These are described below.

Akkulka Production Contract

On December 23, 2009, the Company and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan signed the Akkulka Production Contract giving the Company exclusive rights to produce gas from the Akkulka Block for a period of nine years. Contingent upon commencement of commercial production on the Akkulka contractual territory, an amount of USD3,500,000 was due to the Kazakh State as a reimbursement of historical costs previously incurred in relation to the contractual territory. For that part of the contractual territory from which production commenced in 2010, staged payments over a period of nine years totalling approximately USD933,997 are to be paid in equal quarterly instalments from the commencement of production until full reimbursement. To December 31, 2015, the Company had reimbursed the Kazakh State USD624,000 in respect of the Akkulka Field.

Kul-Bas Exploration and Production Contract

The Kazakhstan Government is to be compensated for the historical costs related to the contractual territory in the amount of USD3,275,780. To date, the Company has paid two amounts of USD49,137 each in relation to this balance. If and when commercial production commences, USD80,666 is due in quarterly instalments until the remaining historical costs of USD3,177,506 have been paid in full.

This contract expired on November 11, 2015 and on December 29, 2015 the Company announced it had been granted an extension subject to approval of an appraisal extension project and work programme and subsequent registration of a suitable addition to the contract

Tajikistan

The Company has an effective 28.33% interest (33.33% interest via its 85% owned subsidiary) in Bokhtar Operating Company BV with partners Total and CNPC each having a 33.33% interest.

Under the terms of the farm-out agreement entered into on June 18, 2013 with Total and CNPC the Company was only required to contribute 11.11% or USD9 million of the first USD80 million of the initial work programme. As at December 31, 2015, the joint venture partners had contributed USD90.0 million to the Bokhtar Operating Company of which the Company's share was USD12.2 million. At December 31, 2015, Bokhtar had contractual commitments not yet incurred or accrued relating to seismic acquisition of which Tethys share is 33.33%. The Company has not been provided with this information by the joint operating company as a result of being in default of cash calls in the amount of USD5.8 million.

The Company has been notified by one of its joint venture partners that it does not believe taxes are due to the Tajikistan authorities on the farm-out consideration paid to the Company in 2013, however, should it be required to pay such taxes which could amount to USD3.2m it will pursue indemnification from the Company pursuant to the farm-out agreement.

Georgia

The Company has a 49% interest in three blocks in Eastern Georgia and is responsible for funding its percentage interest share in the work programmes.

During 2015 the Joint Venture completely redefined the work obligations and cost of exploration. The forward work programme has also been reduced and deferred on all 3 blocks: XIA, XIN and XIM. For 2015 this involved ground based gravity work which was completed in Q3 at a net cost to Tethys in 2015 (inclusive of G&A costs) of USD0.6m, focussed 2D seismic acquisition in 2016 at a cost to Tethys of USD0.9m after which the Joint Venture will make an informed decision in 2017 whether to drill or cease further activity with contingent drilling of any wells in 2018. These changes have been ratified by all levels of government and final Government (Cabinet) approval was received in early October.

Uzbekistan

Following the Company's withdrawal from Uzbekistan in December 2013 the tax authorities claimed additional taxes payable from the Company amounting to USD2.1 million. The Company believes the claim is without foundation or merit and have disputed it. Also following withdrawal from the country, the Company was unable to recover payment for oil previously delivered to the Fergana refinery with an estimated value of USD1.6 million and this could potentially be used to settle any claim which is finally determined.

29 Operating leases

Leases as a lessee:

Operating leases consist primarily of leases for offices. Lease commitments are as follows:

	2015	2014
Less than 1 year	611	1,086
1 – 3 years	722	1,012
Greater than 3 years	75	366

2015 expenditure on lease commitments included in the consolidated statement of comprehensive income amounted to USD1,060,000 (2014: USD1,409,000).

30 Subsequent events

Olisol financing

On January 22, 2016, the Company announced that no further funds had been received by the Company from Olisol since receipt of the USD5,138,918 in late November which was used to repay the USD5 million term loan from Nostrum Oil & Gas PLC and due to transaction completion delays, the Board was obligated to consider alternative funding and investment options for the Company, alongside continued discussions with Olisol.

On February 8, 2016, the Company announced that it had received a further USD1 million from OPL on January 28, 2016. In a new development, Olisol had also informed the Company that due to the difficult business and banking environment in Kazakhstan they would like to renegotiate some of the key terms of the transactions envisaged in the letter of intent which would include changes to the facility agreement and the investment agreement which the Company announced entering into on December 8, 2015.

On March 2, 2016 the Company announced it had signed a legally binding amendment to the USD15 million convertible debt facility entered into on November 19, 2015 with Olisol the key terms of which are as follows:

- Olisol to convert approximately USD6.25 million of the interim facility into ordinary shares at a price of USDD0.10 per share;
- Olisol will work with a bank in Kazakhstan to secure a loan for TethysAralGas LLP, in the amount of USD10 million within 60 days which together with the conversion would satisfy the outstanding obligations of Olisol under the Interim Facility;
- Olisol to provide additional working capital reasonably required by Tethys, until completion of a placement under an amended investment agreement;
- Olisol committed to purchasing 181,240,793 new shares at a price to be agreed by Tethys and Olisol. This purchase, together with the conversion of the amounts outstanding under the interim facility would result in Olisol owning approximately 42% of the Company's shares;
- Upon successful first draw down of the Kazakh loan and conversion of the circa USD6.25 million under the interim facility into equity, the Board will be reconstituted and comprise the following five directors:
  - Adeola Ogunsemi, non-executive director and Chairman of the Audit Committee;
  - Williams Paul Wells, non-executive director;
  - Alexander Abramov, non-executive director;
  - One additional non-executive independent director designated by Olisol; and
  - The one remaining Board seat to be filled by a candidate who satisfies the legal and regulatory requirements of the Company and whose appointment is agreed by Tethys and Olisol.

On March 22, 2016 announces that it had received a signed conversion notice from Olisol Petroleum Limited to convert USD6.3 of its outstanding debt into 63,044,460 shares in Tethys at a price of USD0.10.

Pursuant to applicable rules of the Toronto Stock Exchange ("TSX"), Olisol may not become a 10% or more shareholder of the Company until the TSX has approved Personal Information Forms ("PIFs") submitted by Olisol. As such, Olisol had converted USD3.7m of the loan into 37,440,042 shares, which is the maximum amount they are able to convert and remain below a 10% shareholding.