

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
March 31, 2023

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed consolidated interim financial statements of Tethys Petroleum Limited have been prepared by and are the responsibility of the Group's management and approved by the Board of Directors of the Company. The Group's independent auditor has not performed a review of these condensed consolidated interim financial statements.

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Responsibility Statement of the Directors in Respect of the Condensed Consolidated Interim Financial Statements

We confirm on behalf of the Board that to the best of our knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

For and on behalf of the Board

W. Wells
Chairman
May 18, 2023

A. Ogunsemi
Director
May 18, 2023

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	31 March 2023	31 December 2022
<i>Non-current assets:</i>			
Property, plant and equipment		63,278	62,430
Intangible assets		350	168
Restricted cash		555	538
Total non-current assets		64,183	63,136
<i>Current assets:</i>			
Cash and cash equivalents		7,264	14,538
Trade and other receivables		8,847	8,976
Inventories		867	616
Total current assets		16,978	24,130
Total assets		81,161	87,266
<i>Non-current liabilities:</i>			
Deferred tax liabilities		30,088	30,111
Provisions		2,247	2,377
Total non-current liabilities		32,335	32,488
<i>Current liabilities:</i>			
Financial liabilities - borrowings		2,675	2,510
Current taxation		5,822	5,354
Deferred revenue		53	5,194
Trade and other payables		5,291	6,604
Total current liabilities		13,841	19,662
Total liabilities		46,176	52,150
<i>Equity:</i>			
Share capital		11,508	11,611
Share premium		368,830	372,011
Other reserves		45,299	45,268
Treasury shares		(24)	(643)
Accumulated deficit		(390,628)	(393,131)
Total equity		34,985	35,116
Total equity and liabilities		81,161	87,266
Going concern	1		
Subsequent events	5		

The notes on pages 6 to 8 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 18, 2023 and were signed on its behalf.

W. Wells
Chairman
May 18, 2023

A. Ogunsemi
Director
May 18, 2023

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Profit/(Loss)
(unaudited)

(in thousands of US dollars except per share information)

	Note	Three months ended March 31	
		2023	2022
Sales revenues	3	9,900	13,903
Production expenses		(1,980)	(1,429)
Depreciation, depletion and amortisation		(941)	(2,002)
Impairment charges		-	(1,140)
Administrative expenses		(1,363)	(888)
Share-based payments		(31)	(42)
Other gains and losses		(108)	11
Foreign exchange gains		(456)	1,121
Finance costs		(32)	(287)
		(4,911)	(4,656)
Profit before tax		4,989	9,247
Taxation		(2,486)	(1,862)
Profit and total comprehensive income		2,503	7,385
Earnings per share:			
Basic (\$)	4	0.02	0.07
Basic and diluted (\$)	4	0.02	0.06

A dividend of 3 Canadian cents per share totalling \$2,621 was paid during the period (2022: none).

The notes on pages 6 to 8 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

(in thousands of US dollars)

	Share capital	Share premium	Accumulated deficit	Other reserves	Treasury shares	Total equity
At January 1, 2022	10,755	371,955	(406,570)	46,219	-	22,359
Comprehensive income for the period	-	-	7,385	-	-	7,385
Share repurchases	(21)	(140)	-	-	-	(161)
Share-based payments	-	-	-	42	-	42
At March 31, 2022	10,734	371,815	(399,185)	46,261	-	29,625
At January 1, 2023	11,611	372,011	(393,131)	45,268	(643)	35,116
Comprehensive income for the period	-	-	2,503	-	-	2,503
Share-based payments	-	-	-	31	-	31
Share repurchases	-	-	-	-	(44)	(44)
Shares cancelled	(103)	(560)	-	-	663	-
Dividends paid	-	(2,621)	-	-	-	(2,621)
At March 31, 2023	11,508	368,830	(390,628)	45,299	(24)	34,985

Other reserves include reserves arising on the issuance of options, warrants and compound instruments and are denoted together as “other reserves” on the consolidated statement of financial position. These reserves are non-distributable.

The notes on pages 6 to 8 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(in thousands of US dollars)

	Three months ended	
	March 31	
	2023	2022
Cash flow from operating activities		
Profit before tax	4,989	9,247
Adjustments for:		
Net finance cost	32	287
Depreciation, depletion and amortisation	941	2,002
Impairment charges	-	1,140
Share-based payments	31	42
Other gains and losses	108	(11)
Net change in working capital	(7,304)	2,703
Cash (used in)/from operating activities	(1,203)	15,410
Tax paid	(1,400)	(230)
Net cash (used in)/from operating activities	(2,603)	15,180
Cash flow from investing activities:		
Interest received	199	61
Expenditure on intangible assets	(181)	-
Expenditure on property, plant and equipment	(1,986)	(3,301)
Movement in restricted cash	-	25
Net change in working capital	(154)	(8,892)
Net cash used in investing activities	(2,122)	(12,107)
Cash flow from financing activities:		
Dividend paid	(2,621)	-
Share repurchases	(44)	(161)
Net cash used in financing activities	(2,665)	(161)
Effects of exchange rate changes	116	(538)
Net (decrease)/increase in cash and cash equivalents	(7,274)	2,374
Cash and cash equivalents at beginning of the period	14,538	9,277
Cash and cash equivalents at end of the period	7,264	11,651

The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Notes to Condensed Consolidated Interim Financial Statements (unaudited) (continued)
(in thousands of US dollars)

1 General information and going concern

Tethys Petroleum Limited (hereinafter “Tethys” or the “Company”, together with its subsidiaries “the Group”) is incorporated in the Cayman Islands and the address of the Company’s registered office is Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. Tethys is an oil and gas company operating within the Republic of Kazakhstan. 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 TSX Venture Exchange (“TSXV”). The Company is also listed on the Kazakhstan Stock Exchange (“KASE”).

Going concern

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

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

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

The Group would seek to mitigate this by reducing discretionary capital expenditure and deferring other payment obligations.

The Group’s forecast net cashflows under the downside scenario above is considered to be adequate to meet the Group’s financial obligations as they fall due over the next 12 months.

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

Tethys Petroleum Limited

Notes to Condensed Consolidated Interim Financial Statements (unaudited) (continued)
(in thousands of US dollars)

2 Basis of preparation and accounting policies

The condensed consolidated interim financial statements of the Group are 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 condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as applicable to interim financial reporting and do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements reported for the year ended December 31, 2022.

The condensed consolidated interim financial statements are presented in thousands of United States Dollars (“\$”), except where indicated.

New and amended standards adopted by the Group

There were no new and revised standards adopted by the Group during the three months ended March 31, 2022 that had an impact on the condensed consolidated interim financial statements.

New and amended standards and interpretations issued but not yet adopted

There are no significant new or amended standards that have been early adopted by the Group.

3 Segmental 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 Board of Directors.

The following is an analysis of the Group’s revenue, results and assets by reportable segment for the three months ended March 31, 2023:

	Kazakhstan	Corporate	Total ¹
Gas sales	30	-	30
Oil sales	9,868	-	9,868
Other revenue	2	-	2
Segment revenue and other income	9,900	-	9,900
Profit/(loss) before taxation	5,632	(643)	4,989
Taxation	(2,486)	-	(2,486)
Profit/(loss) for the period	3,146	(643)	2,503
Total assets	80,866	89,043	81,161
Total liabilities	128,833	6,091	46,176
Expenditure on exploration & evaluation assets, property, plant and equipment	2,167	-	2,167
Depreciation, depletion & amortization	941	-	941

Note 1 – Total is after elimination of inter-segment items of \$88,748,000.

Tethys Petroleum Limited

Notes to Condensed Consolidated Interim Financial Statements (unaudited) (continued)

(in thousands of US dollars)

The following is an analysis of the Group's revenue, results and assets by reportable segment for the three months ended March 31, 2022:

	Kazakhstan	Corporate	Total ¹
Gas sales	1,292	-	1,292
Oil sales	12,611	-	12,611
Segment revenue and other income	13,903	-	13,903
Profit/(loss) before taxation	9,863	(616)	9,247
Taxation	(1,862)	-	(1,862)
Profit/(loss) for the period	8,001	(616)	7,385
Total assets	76,592	91,564	77,361
Total liabilities	130,689	7,842	47,736
Expenditure on exploration & evaluation assets, property, plant and equipment	3,301	-	3,301
Depreciation, depletion & amortization	2,002	-	2,002

Note 1 – Total is after elimination of inter-segment items of \$90,795,000.

4 Earnings per share

Continuing operations	Units	Three months ended March 31	
		2023	2022
Profit/(loss) for the purpose of basic and diluted earnings/(loss) attributable to ordinary shareholders	\$'000	2,504	7,385
Weighted average shares - basic	000s	115,488	107,521
Weighted average shares - diluted	000s	124,151	124,172
Per share amount - basic	\$	0.02	0.07
Per share amount - diluted	\$	0.02	0.06

Earnings per share is calculated by dividing the profit attributable to shareholders of the Group 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.

5 Subsequent events

In April 2023, the Company repaid in full the Gemini debenture which, with accrued interest, amounted to \$3,125,424. The Group no longer has any loans outstanding.