

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 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
August 17, 2023

A. Ogunsemi
Director
August 17, 2023

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	As at June 30, 2023	December 31, 2022
<i>Non-current assets:</i>			
Property, plant and equipment		82,896	62,430
Intangible assets		350	168
Restricted cash		554	538
Total non-current assets		83,800	63,136
<i>Current assets:</i>			
Cash and cash equivalents		3,597	14,538
Trade and other receivables		7,661	8,976
Inventories		791	616
Total current assets		12,049	24,130
Total assets		95,849	87,266
<i>Non-current liabilities:</i>			
Deferred tax		30,184	30,111
Provisions		2,122	2,377
Trade and other payables		17,178	-
Total non-current liabilities		49,484	32,488
<i>Current liabilities:</i>			
Financial liabilities - borrowings		-	2,510
Current taxation		4,740	5,354
Deferred revenue		19	5,194
Trade and other payables		2,491	6,604
Total current liabilities		7,250	19,662
Total liabilities		56,734	52,150
<i>Equity:</i>			
Share capital		11,507	11,611
Share premium		368,825	372,011
Other reserves		44,184	45,268
Treasury shares		(44)	(643)
Accumulated deficit		(385,357)	(393,131)
Total equity		39,115	35,116
Total equity and liabilities		95,849	87,266
Going concern	1		
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The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on August 17, 2023 and were signed on its behalf.

W. Wells
Chairman
August 17, 2023

A. Ogunsemi
Director
August 17, 2023

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Profit and Comprehensive Income (unaudited)

(in thousands of US dollars except per share information)

	Note	Three months ended June 30		Six months ended June 30	
		2023	2022	2023	2022
Sales revenue	3	9,079	16,578	18,979	30,481
Production expenses		(1,319)	(1,598)	(3,300)	(3,026)
Depreciation, depletion and amortisation		(1,347)	(1,865)	(2,288)	(3,867)
Impairment charges		-	(101)	-	(1,241)
Administrative expenses		(1,413)	(1,013)	(2,776)	(1,901)
Share-based payments		(24)	(42)	(55)	(84)
Other gains and losses		(20)	151	(127)	161
Foreign exchange gains and losses		(258)	(645)	(714)	476
Finance costs		(697)	(364)	(729)	(651)
		(5,078)	(5,477)	(9,989)	(10,133)
Profit before tax from continuing operations		4,001	11,101	8,990	20,348
Taxation		130	(4,569)	(2,355)	(6,430)
Profit from continuing operations and total comprehensive income		4,131	6,532	6,635	13,918
Earnings per share:					
Basic (\$)	4	0.04	0.06	0.06	0.13
Diluted (\$)	4	0.04	0.05	0.06	0.11

Dividends paid and declared for the year amounted to \$2,598 (2022: nil).

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

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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	-	-	13,918	-	-	13,918
Share repurchases	-	-	-	-	(515)	(515)
Share-based payments	-	-	-	84	-	84
At June 30, 2022	10,755	371,955	(392,652)	46,303	(515)	35,846
At January 1, 2023	11,611	372,011	(393,131)	45,268	(643)	35,116
Compound instrument extinguished	-	-	1,139	(1,139)	-	-
Comprehensive income for the period	-	-	6,635	-	-	6,635
Dividend paid	-	(2,621)	-	-	23	(2,598)
Share repurchases	-	-	-	-	(93)	(93)
Shares cancelled	(104)	(565)	-	-	669	-
Share-based payments	-	-	-	55	-	55
At June 30, 2023	11,507	368,825	(385,357)	44,184	(44)	39,115

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. Other reserves are non-distributable.

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

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Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(in thousands of US dollars)

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2023	2022	2023	2022
Cash flow from operating activities				
Profit before tax	4,001	11,101	8,990	20,348
Adjustments for:				
Net finance cost	697	364	729	651
Depreciation, depletion and amortisation	1,347	1,865	2,288	3,867
Impairment charges	-	101	-	1,241
Share-based payments	24	42	55	84
Other gains and losses	20	(151)	127	(161)
Net change in working capital	(5,842)	(16,258)	(12,069)	(13,556)
Cash from/(used in) operating activities	247	(2,936)	120	12,474
Tax paid	(88)	(1,421)	(1,488)	(1,652)
Net cash from/(used in) operating activities	159	(4,357)	(1,368)	10,822
Cash flow from investing activities:				
Interest received	102	4	301	66
Expenditure on exploration and evaluation assets	-	-	(182)	-
Expenditure on property, plant and equipment	(3,086)	(976)	(5,072)	(4,276)
Movement in restricted cash	(6)	1	(6)	26
Net change in working capital	1,768	-	1,614	(8,892)
Net cash used in investing activities	(1,222)	(971)	(3,345)	(13,076)
Cash flow from financing activities:				
Repayment of borrowings	(3,125)	-	(3,125)	-
Dividend paid	23	-	(2,598)	-
Share repurchases	(48)	(354)	(93)	(515)
Net cash used in financing activities	(3,150)	(354)	(5,816)	(515)
Effects of exchange rate changes	546	168	(412)	(371)
Net decrease in cash and cash equivalents	(3,667)	(5,514)	(10,941)	(3,140)
Cash and cash equivalents at beginning of the period	7,264	11,651	14,538	9,277
Cash and cash equivalents at end of the period	3,597	6,137	3,597	6,137

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

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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 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. 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: If 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 then 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.

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.

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

(in thousands of US dollars)

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 United States Dollars (“\$”).

New accounting policies

There were no new and revised standards adopted by the Group during the six months ended June 30, 2023 that had an impact on the condensed consolidated interim financial statements.

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

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

3 Segmental Reporting

Geographical segments

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 six months ended June 30, 2023:

	Kazakhstan	Corporate	Total ¹
Gas sales	30	-	30
Oil sales	18,947	-	18,947
Other revenue	2	-	2
Segment revenue and other income	18,979	-	18,979
Profit/(loss) before taxation	10,395	(1,405)	8,990
Taxation	(2,334)	(21)	(2,355)
Profit/(loss) for the period	8,061	(1,426)	6,635
Total assets	95,493	90,577	95,849
Total liabilities	144,413	2,542	56,734
Expenditure on exploration & evaluation assets, property, plant and equipment	5,254	-	5,254
Depreciation, depletion & amortization	2,288	-	2,288

Note 1 – Total is after elimination of inter-segment items of \$90,221.

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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 six months ended June 30, 2022:

	Kazakhstan	Corporate	Total ¹
Gas sales	2,437	-	2,437
Oil sales	28,044	-	28,044
Segment revenue and other income	30,481	-	30,481
Profit/(loss) before taxation	21,607	(1,259)	20,348
Taxation	(6,430)	-	(6,430)
Profit/(loss) for the period	15,177	(1,259)	13,918
Total assets	72,158	95,894	73,133
Total liabilities	124,007	8,199	37,287
Expenditure on exploration & evaluation assets, property, plant and equipment	4,276	-	4,276
Depreciation, depletion & amortization	3,867	-	3,867

Note 1 – Total is after elimination of inter-segment items of \$94,919.

4 Earnings per share

Continuing operations	Units	Three months ended June 30		Six months ended June 30	
		2023	2022	2023	2022
Profit for the purpose of basic and diluted earnings per share attributable to ordinary shareholders	\$'000	4,131	6,532	6,635	13,918
Weighted average shares - basic	000s	115,075	107,548	115,280	107,548
Weighted average shares - diluted	000s	115,075	124,283	115,280	124,283
Earnings per share - basic	\$	0.04	0.06	0.06	0.13
Earnings per share - diluted	\$	0.04	0.05	0.06	0.11

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

- *Commercial license update*

On 27 July, 2023 the Group announced that it is moving forward on the necessary steps to achieve a license for commercial production. The Group completed the reserve estimation for Kulbas and a mining allotment of 67.72 km² was approved at the end June. The contract for a preparatory period of three years with the assigned mining allotment for the Kul Bas exploration and production contract was signed by the Ministry of Energy on July 28, 2023. The Group is working on the Field Development Project with the goal of signing a production contract for a 25 year period by the end of 2023. In order to meet the ecological requirements the Group needs to

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

(in thousands of US dollars)

install gas turbines to convert the gas produced from the wells. The Group entered into an agreement to procure gas turbines with an expected delivery date in August.