

# **Tethys Petroleum Limited**

Condensed Consolidated Interim Financial Statements  
(Unaudited)  
**March 31, 2022**

## **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 20, 2022

**A. Ogunsemi**  
Director  
May 20, 2022

# Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	31 March 2022	31 December 2021
<i>Non-current assets:</i>			
Property, plant and equipment		60,205	60,047
Restricted cash		343	368
<b>Total non-current assets</b>		<b>60,548</b>	<b>60,415</b>
<i>Current assets:</i>			
Cash and cash equivalents		11,651	9,277
Trade and other receivables		4,852	3,911
Inventories		310	341
<b>Total current assets</b>		<b>16,813</b>	<b>13,529</b>
<b>Total assets</b>		<b>77,361</b>	<b>73,944</b>
<i>Non-current liabilities:</i>			
Financial liabilities - borrowings		4,148	3,893
Deferred tax liabilities		8,922	10,499
Provisions		2,265	2,211
<b>Total non-current liabilities</b>		<b>15,335</b>	<b>16,603</b>
<i>Current liabilities:</i>			
Financial liabilities - borrowings		2,724	2,685
Current taxation		3,243	2,046
Deferred revenue		19,642	14,282
Trade and other payables		6,792	15,969
<b>Total current liabilities</b>		<b>32,401</b>	<b>34,982</b>
<b>Total liabilities</b>		<b>47,736</b>	<b>51,585</b>
<i>Equity:</i>			
Share capital		10,734	10,755
Share premium		371,815	371,955
Other reserves		46,261	46,219
Accumulated deficit		(399,185)	(406,570)
<b>Total equity</b>		<b>29,625</b>	<b>22,359</b>
<b>Total equity and liabilities</b>		<b>77,361</b>	<b>73,944</b>
<b>Going concern</b>	1		
<b>Subsequent events</b>	5		

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 May 13, 2022 and were signed on its behalf.

**W. Wells**  
Chairman  
May 20, 2022

**A. Ogunsemi**  
Director  
May 20, 2022

# 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	
		2022	2021
Sales revenues	3	13,903	2,384
Production expenses		(1,429)	(613)
Depreciation, depletion and amortisation		(2,002)	(749)
Impairment charges		(1,140)	-
Administrative expenses		(888)	(734)
Share-based payments		(42)	-
Other gains and losses		11	-
Foreign exchange gains		1,121	90
Finance costs		(287)	(265)
		(4,656)	(2,271)
<b>Profit before tax</b>		<b>9,247</b>	<b>113</b>
Taxation		(1,862)	(206)
<b>Profit/(loss) and total comprehensive income/(loss)</b>		<b>7,385</b>	<b>(93)</b>
<b>Earnings/(loss) per share:</b>			
Basic (\$)	4	0.07	(0.00)
Basic and diluted (\$)	4	0.06	(0.00)

No dividends were paid or are declared for the period (2021: none).

The notes on pages 6 to 9 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)

	Attributable to shareholders				Total equity
	Share capital	Share premium	Accumulated deficit	Other reserves	
<b>At January 1, 2021</b>	<b>10,495</b>	<b>370,814</b>	<b>(402,581)</b>	<b>46,192</b>	<b>24,920</b>
Comprehensive loss for the period	-	-	(93)	-	(93)
<b>At March 31, 2021</b>	<b>10,495</b>	<b>370,814</b>	<b>(402,674)</b>	<b>46,192</b>	<b>24,827</b>
<b>At January 1, 2022</b>	<b>10,755</b>	<b>371,955</b>	<b>(406,570)</b>	<b>46,219</b>	<b>22,359</b>
Comprehensive income for the period	-	-	7,385	-	7,385
Share repurchases	(21)	(140)	-	-	(161)
Share-based payments	-	-	-	42	42
<b>At March 31, 2022</b>	<b>10,734</b>	<b>371,815</b>	<b>(399,185)</b>	<b>46,261</b>	<b>29,625</b>

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 9 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	
	2022	2021
<b>Cash flow from operating activities</b>		
Profit/(loss) after tax	7,385	(93)
Adjustments for:		
Net finance cost	287	265
Depreciation, depletion and amortisation	2,002	749
Impairment charges	1,140	-
Share-based payments	42	-
Other gains and losses	(11)	-
Taxation	1,862	206
Foreign exchange effect on deferred tax liability	(1,982)	-
Net change in working capital	4,685	(1,765)
<b>Cash from/(used in) operating activities</b>	<b>15,410</b>	<b>(638)</b>
Tax paid	(230)	(42)
<b>Net cash from/(used in) operating activities</b>	<b>15,180</b>	<b>(680)</b>
Cash flow from investing activities:		
Interest received	61	11
Expenditure on property, plant and equipment	(3,301)	(836)
Movement in restricted cash	25	3
Net change in working capital	(8,892)	231
<b>Net cash used in investing activities</b>	<b>(12,107)</b>	<b>(591)</b>
Cash flow from financing activities:		
Share repurchases	(161)	-
<b>Net cash used in financing activities</b>	<b>(161)</b>	<b>-</b>
Effects of exchange rate changes	(538)	(43)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,374</b>	<b>(1,314)</b>
Cash and cash equivalents at beginning of the period	9,277	1,747
<b>Cash and cash equivalents at end of the period</b>	<b>11,651</b>	<b>433</b>

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 is incorporated in the Cayman Islands and the address of the Company's registered office is One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, 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, including one or more of the three Kul-bas exploration wells and the eight shallow gas wells the Group is planning to drill in 2022.

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. This includes \$2.8 million due for repayment of the Gemini loan in October 2022 and \$6.3 million due for repayment of the convertible debenture in April 2023, although it is currently anticipated that the debenture will be converted into shares with no impact on the Group's cash flows. After these loans have been repaid the Group will have no borrowings.

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 for the period ended March 31, 2022.



# 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, 2021.

The condensed consolidated interim financial statements are presented in United States Dollars (“\$”).

### *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

### *Geographical segments*

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Reports provided to the Board of Directors with respect to segment information are measured in a manner consistent with that of the condensed consolidated interim 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 Board of Directors consider the business from predominantly a geographical perspective and the Group currently operates in two geographical markets: Kazakhstan and Rest of World (or Corporate).

In Kazakhstan, the Group is producing gas from the Kyzylai and Akkulka fields and oil production from the Kul-bas field. The Group also operates a Corporate segment which provides loan funding for development activities in Kazakhstan.

# 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 <sup>1</sup>
Gas sales	1,292	-	1,292
Oil sales	12,611	-	12,611
<b>Segment revenue and other income</b>	<b>13,903</b>	<b>-</b>	<b>13,903</b>
<b>Profit/(loss) before taxation</b>	<b>9,863</b>	<b>(616)</b>	<b>9,247</b>
Taxation	(1,862)	-	(1,862)
<b>Profit/(loss) for the period</b>	<b>8,001</b>	<b>(616)</b>	<b>7,385</b>
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.

The following is an analysis of the Group's revenue, results and assets by reportable segment for the three months ended March 31, 2021:

	Kazakhstan	Corporate	Total <sup>1</sup>
Gas sales	2,384	-	2,384
Oil sales	-	-	-
<b>Segment revenue and other income</b>	<b>2,384</b>	<b>-</b>	<b>2,384</b>
<b>Profit/(loss) before taxation</b>	<b>603</b>	<b>(490)</b>	<b>113</b>
Taxation	(206)	-	(206)
<b>Profit/(loss) for the period</b>	<b>397</b>	<b>(490)</b>	<b>(93)</b>
Total assets	52,681	102,023	52,751
Total liabilities	124,146	5,731	27,924
Expenditure on exploration & evaluation assets, property, plant and equipment	836	-	836
Depreciation, depletion & amortization	749	-	749

Note 1 – Total is after elimination of inter-segment items of \$101,953,000.

## 4 Earnings (loss) per share

Continuing operations	Units	Three months ended March 31	
		2022	2021
Profit/(loss) for the purpose of basic and diluted earnings/(loss) attributable to ordinary shareholders	\$'000	7,385	(93)
Weighted average shares - basic	000s	107,521	104,956
Weighted average shares - diluted	000s	124,172	104,956
Per share amount - basic	\$	0.07	(0.00)
Per share amount - diluted	\$	0.06	(0.00)

Basic earnings/(loss) per share is calculated by dividing the profit/(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

# Tethys Petroleum Limited

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

(in thousands of US dollars)

of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Group recorded a loss in 2021 there was no difference between basic and diluted loss per share.

## 5 Subsequent events

- *Gas sales*

On April 28, 2022 the Group received a letter from its gas customer, a Kazakhstan state-owned enterprise, proposing (i) a new gas sales pricing mechanism to apply with effect from January 1, 2022, (ii) a minimum and maximum gas price and (iii) further negotiation of the pricing mechanism at its offices. The proposed pricing mechanism would result in a substantially lower gas price than the Group received during 2021 and is likely to be uneconomic. The Group plans to engage with the customer to reach a mutually acceptable outcome on gas pricing while, at the same time, considering other options for the sale of its gas production and the possible impact on its future development plans.