

# **Tethys Petroleum Limited**

Condensed Consolidated Interim Financial Statements  
(Unaudited)  
**June 30, 2021**

## **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 Company's management and approved by the Board of Directors of the Company. The Company'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.

We draw attention to the section entitled “Going Concern” in Note 1 to the condensed consolidated interim financial statements which describes the material uncertainties relating to the Company’s adoption of the going concern basis in preparing the condensed consolidated interim financial Statements for the period ended June 30, 2021.

For and on behalf of the Board

**W. Wells**

Chairman

August 12, 2021

**A. Ogunsemi**

Director

August 12, 2021

# Tethys Petroleum Limited

## Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	As at June 30, 2021	December 31, 2020
<i>Non-current assets:</i>			
Property, plant and equipment		50,636	48,539
Restricted cash		125	71
Trade and other receivables		14	14
<b>Total non-current assets</b>		<b>50,775</b>	<b>48,624</b>
<i>Current assets:</i>			
Cash and cash equivalents		508	1,747
Trade and other receivables		3,112	3,106
Inventories		274	318
Restricted cash		22	22
<b>Total current assets</b>		<b>3,916</b>	<b>5,193</b>
<b>Total assets</b>		<b>54,691</b>	<b>53,817</b>
<i>Non-current liabilities:</i>			
Financial liabilities - borrowings		6,034	5,549
Deferred tax		4,833	4,612
Provisions		1,790	1,706
<b>Total non-current liabilities</b>		<b>12,657</b>	<b>11,867</b>
<i>Current liabilities:</i>			
Current taxation		505	541
Deferred revenue		5,165	8,137
Trade and other payables		10,901	8,352
<b>Total current liabilities</b>		<b>16,571</b>	<b>17,030</b>
<b>Total liabilities</b>		<b>29,228</b>	<b>28,897</b>
<i>Equity:</i>			
Share capital		10,755	10,495
Share premium		371,955	370,814
Other reserves		46,192	46,192
Accumulated deficit		(403,439)	(402,581)
<b>Total equity</b>		<b>25,463</b>	<b>24,920</b>
<b>Total equity and liabilities</b>		<b>54,691</b>	<b>53,817</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 August 12, 2021 and were signed on its behalf.

**W. Wells**  
Chairman  
August 12, 2021

**A. Ogunsemi**  
Director  
August 12, 2021

# Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Comprehensive Income (Loss) (unaudited)  
(in thousands of US dollars except per share information)

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Sales and other revenues	3	1,952	2,977	4,336	6,478
Production expenses		(668)	(541)	(1,281)	(1,456)
Depreciation, depletion and amortisation		(756)	(1,114)	(1,506)	(2,255)
Impairment charges	5	-	-	-	(15,280)
Administrative expenses		(839)	(718)	(1,573)	(1,455)
Other gains and losses		130	3,957	132	12,260
Foreign exchange gain/(loss)		67	(132)	156	(233)
Finance costs		(290)	(629)	(555)	(1,879)
		(2,356)	823	(4,627)	(10,298)
<b>(Loss)/profit before tax from continuing operations</b>		<b>(404)</b>	<b>3,800</b>	<b>(291)</b>	<b>(3,820)</b>
Taxation		(444)	106	(567)	296
<b>(Loss)/profit from continuing operations and total comprehensive income</b>		<b>(848)</b>	<b>3,906</b>	<b>(858)</b>	<b>(3,524)</b>
<b>(Loss)/earnings per share:</b>					
From continuing operations (USD) - basic	4	(0.01)	0.04	(0.01)	(0.04)

No dividends were paid or are declared for the period (2020: 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, 2020</b>	<b>6,832</b>	<b>360,769</b>	<b>(365,703)</b>	<b>45,556</b>	<b>47,454</b>
Comprehensive loss for the period	-	-	(3,524)	-	(3,524)
Compound instrument extinguished	-	-	1,643	(1,643)	-
<b>Transactions with shareholders</b>					
Shares issued	3,663	10,045	-	-	13,708
Total transactions with shareholders	3,663	10,045	-	-	13,708
<b>At June 30, 2020</b>	<b>10,495</b>	<b>370,814</b>	<b>(367,584)</b>	<b>43,913</b>	<b>57,638</b>
<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	-	-	(858)	-	(858)
<b>Transactions with shareholders</b>					
Shares issued	260	1,141	-	-	1,401
Total transactions with shareholders	260	1,141	-	-	1,401
<b>At June 30, 2021</b>	<b>10,755</b>	<b>371,955</b>	<b>(403,439)</b>	<b>46,192</b>	<b>25,463</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 June 30		Six months ended June 30	
	2021	2020	2021	2020
<b>Cash flow from operating activities</b>				
(Loss)/profit after tax from continuing operations	(848)	3,906	(858)	(3,524)
Adjustments for:				
Net finance cost	290	629	555	1,879
Depreciation, depletion and amortisation	756	1,114	1,506	2,255
Impairment charges	-	-	-	15,280
Other gains and losses	(130)	(3,957)	(132)	(12,260)
Taxation	444	(106)	567	(296)
Net change in working capital	(901)	(823)	(2,666)	4,755
<b>Cash (used in)/from operating activities</b>	<b>(389)</b>	<b>763</b>	<b>(1,028)</b>	<b>8,089</b>
Tax paid	(320)	(529)	(362)	(579)
<b>Net cash (used in)/from operating activities</b>	<b>(709)</b>	<b>234</b>	<b>(1,390)</b>	<b>7,510</b>
Cash flow from investing activities:				
Interest received	2	-	13	-
Expenditure on exploration assets (net of revenue receipts)	-	88	-	66
Expenditure on property, plant and equipment	(2,766)	(124)	(3,603)	(265)
Movement in restricted cash	(56)	(30)	(53)	(19)
Net change in working capital	2,180	(893)	2,411	(1,008)
<b>Net cash used in investing activities</b>	<b>(640)</b>	<b>(959)</b>	<b>(1,232)</b>	<b>(1,226)</b>
Cash flow from financing activities:				
Proceeds from share issuance	1,401	-	1,401	1
Proceeds of new borrowings	-	4,800	-	4,800
Repayment of borrowings	-	(4,690)	-	(7,690)
DSFK settlement	-	(3,424)	-	(3,424)
<b>Net cash from/(used in) financing activities</b>	<b>1,401</b>	<b>(3,314)</b>	<b>1,401</b>	<b>(6,314)</b>
Effects of exchange rate changes	23	170	(18)	(14)
<b>Net increase/(decrease in) cash and cash equivalents</b>	<b>75</b>	<b>(3,869)</b>	<b>(1,239)</b>	<b>(44)</b>
Cash and cash equivalents at beginning of the period	433	4,519	1,747	694
<b>Cash and cash equivalents at end of the period</b>	<b>508</b>	<b>650</b>	<b>508</b>	<b>650</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. The Company is also listed on the Kazakhstan Stock Exchange ("KASE").

### *Going concern*

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 balance sheet date in determining the ability of the Company to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended June 30, 2021. The Company reported a loss of \$0.9 million for the period ended June 30, 2021 (year ended December 31, 2020: \$38.5 million loss) and an accumulated deficit as at that date of \$403.4 million (December 31, 2020: \$402.6 million) and negative working capital of \$12.7 million (December 31, 2020: negative \$11.8 million). In addition, the Company reported cash used in operating activities after tax paid of \$1.4 million for the period ended June 30, 2021 (year ended December 31, 2020: positive cash from operating activities of \$17.5 million).

The Company's financial position has improved as a result of the Company's loan obligations being restructured, repaid and/or converted into Tethys ordinary shares during the prior year. Borrowings have reduced from \$40.2 million at December 31, 2019 to \$6.0 million at June 30, 2021.

In addition, a settlement agreement was signed with Olisol Petroleum Limited ("Olisol") and DSFK Special Finance Company LLP ("DSFK") to resolve all disputed matters with those parties. In April 2020, the Company announced that it had completed the issuance of a \$4.8 million convertible debenture and received the proceeds which were used to make the settlement payment to DSFK, reduce debt and for general working capital purposes. An unsecured loan of \$2.5 million was received from the same lender in October 2020.

A private placement of \$1.4 million was completed in April 2021. These proceeds have been used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses.

Nevertheless, the Company may not have sufficient funding to fund its obligations for the next twelve months and may need to raise funds to meet any shortfall and to fund its planned capital expenditure program.

There are factors relating to the ongoing COVID-19 pandemic that could impact the business. Possible adverse effects from the Covid-19 pandemic could include lower oil & gas prices received by the Company due to lower demand for oil & gas, customers not paying for oil & gas delivered, planned oil & gas development activities becoming uneconomic due to lower prices, difficulty in obtaining future financing, failure of suppliers who are no longer able to supply goods and



# Tethys Petroleum Limited

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

(in thousands of US dollars)

services and employees becoming unavailable due to sickness or quarantine measures. However, the Company's oil & gas operations are in a remote region of Kazakhstan and the Company is taking precautions to prevent personnel from becoming infected and to identify infections at any early stage should they occur. The Company has not suffered any significant adverse effect from Covid-19 and, at this time, does not anticipate Covid-19 will have a material impact on the Company's operations over the next twelve months.

In order to support the Company's short term liquidity position and improve the Company's financial situation, we will need to:

- Obtain the necessary approvals to re-commence commercial oil production from the KBD-02 ("Klymene") well;
- Secure funding required to meet capital expenditure plans to the extent that these cannot be funded from existing cash generation.
- Drill new oil & gas wells to increase production levels and revenues and in particular, further develop the Kul-bas exploration contract area which includes the successful KBD-02 well.

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 its planned capital expenditure program including its contractual obligations, and ability to generate positive cash flows from operations. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

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 realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## 2 Basis of preparation and accounting policies

The condensed consolidated interim financial statements of the Company 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, 2020.

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

# Tethys Petroleum Limited

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

## *New accounting policies*

There were no new and revised standards adopted by the Company during the six months ended June 30, 2021 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 Company*

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

### 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 Company currently operates in two geographical markets: Kazakhstan and Rest of World ("Corporate").

In Kazakhstan, the Company is producing gas from the Kyzylai and Akkulka fields and is undertaking exploration and evaluation activity in the Kul-bas field. In the current quarter the Company started producing oil from the Kul-bas field for the first time. The Company also operates a Corporate segment which provides loan funding for development activities in Kazakhstan.

The following is an analysis of the Company's revenue, results and assets by reportable segment for the six months ended June 30, 2021:

	Kazakhstan	Corporate	Total <sup>1</sup>
Gas sales	4,336	-	4,336
Oil sales	-	-	-
<b>Segment revenue and other income</b>	<b>4,336</b>	<b>-</b>	<b>4,336</b>
<b>Profit/(loss) before taxation</b>	715	(1,006)	(291)
Taxation	(567)	-	(567)
<b>Profit/(loss) for the period</b>	<b>148</b>	<b>(1,006)</b>	<b>(858)</b>
Total assets	54,191	103,297	54,691
Total liabilities	124,754	7,271	29,228
Expenditure on exploration & evaluation assets, property, plant and equipment	3,603	-	3,603
Depreciation, depletion & amortization	1,506	-	1,506

Note 1 – Total is after elimination of inter-segment items of \$102,797,000.

# Tethys Petroleum Limited

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

The following is an analysis of the Company's revenue, results and assets by reportable segment for the six months ended June 30, 2020:

	Kazakhstan	Corporate	Total <sup>1</sup>
Gas sales	6,478	-	6,478
Oil sales <sup>2</sup>	-	-	-
<b>Segment revenue and other income</b>	<b>6,478</b>	<b>-</b>	<b>6,478</b>
<b>(Loss)/profit before taxation</b>	<b>(13,746)</b>	<b>9,926</b>	<b>(3,820)</b>
Taxation	316	(20)	296
<b>(Loss)/profit for the period</b>	<b>(13,430)</b>	<b>9,906</b>	<b>(3,524)</b>
Total assets	92,280	107,041	92,459
Total liabilities	127,458	14,224	34,820
Expenditure on exploration & evaluation assets, property, plant and equipment	199	-	199
Depreciation, depletion & amortization	2,255	-	2,255

Note 1 – Total is after elimination of inter-segment items of \$106,862,000.

Note 2 – Oil revenue from test production of \$253,000 from the KBD-02 well in the Kul-bas contract area has been offset against capitalised exploration & evaluation expenditure.

## 4 (Loss)/earnings per share

Continuing operations	Units	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
(Loss)/profit for the purpose of basic (loss)/earnings per share attributable to ordinary shareholders	\$'000	(848)	3,906	(858)	(3,524)
Weighted average shares - basic	000s	106,102	93,483	107,235	87,660
(Loss)/earnings per share - basic	\$	(0.01)	0.04	(0.01)	(0.04)

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.

## 5 Subsequent events

There are no subsequent events to report.