

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
June 30, 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
August 25, 2022

A. Ogunsemi
Director
August 25, 2022

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	As at June 30, 2022	December 31, 2021
<i>Non-current assets:</i>			
Property, plant and equipment		59,215	60,047
Restricted cash		342	368
Total non-current assets		59,557	60,415
<i>Current assets:</i>			
Cash and cash equivalents		6,137	9,277
Trade and other receivables		6,975	3,911
Inventories		464	341
Total current assets		13,576	13,529
Total assets		73,133	73,944
<i>Non-current liabilities:</i>			
Financial liabilities - borrowings		-	3,893
Deferred tax		11,689	10,499
Provisions		2,319	2,211
Total non-current liabilities		14,008	16,603
<i>Current liabilities:</i>			
Financial liabilities - borrowings		7,185	2,685
Current taxation		3,592	2,046
Deferred revenue		3,661	14,282
Trade and other payables		8,841	15,969
Total current liabilities		23,279	34,982
Total liabilities		37,287	51,585
<i>Equity:</i>			
Share capital		10,755	10,755
Share premium		371,955	371,955
Other reserves		45,788	46,219
Accumulated deficit		(392,652)	(406,570)
Total equity		35,846	22,359
Total equity and liabilities		73,133	73,944
Going concern	1		
Subsequent events	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 25, 2022 and were signed on its behalf.

W. Wells
Chairman
August 25, 2022

A. Ogunsemi
Director
August 25, 2022

Tethys Petroleum Limited

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

(in thousands of US dollars except per share information)

	Note	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
Sales revenue	3	16,578	1,952	30,481	4,336
Production expenses		(1,598)	(668)	(3,026)	(1,281)
Depreciation, depletion and amortisation		(1,865)	(756)	(3,867)	(1,506)
Impairment charges		(101)	-	(1,241)	-
Administrative expenses		(1,013)	(839)	(1,901)	(1,573)
Share-based payments		(42)	-	(84)	-
Other gains and losses		151	130	161	132
Foreign exchange (loss)/gain		(645)	67	476	156
Finance costs		(364)	(290)	(651)	(555)
		(5,477)	(2,356)	(10,133)	(4,627)
Profit/(loss) before tax from continuing operations		11,101	(404)	20,348	(291)
Taxation		(4,569)	(444)	(6,430)	(567)
Profit/(loss) from continuing operations and total comprehensive income/(loss)		6,532	(848)	13,918	(858)
Earnings/(loss) per share:					
Basic (\$)	4	0.06	(0.01)	0.13	(0.01)
Diluted (\$)	4	0.05	(0.01)	0.11	(0.01)

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	
At January 1, 2021	10,495	370,814	(402,581)	46,192	24,920
Comprehensive loss for the period	-	-	(858)	-	(858)
Transactions with shareholders					
Shares issued	260	1,141	-	-	1,401
Total transactions with shareholders	260	1,141	-	-	1,401
At June 30, 2021	10,755	371,955	(403,439)	46,192	25,463
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)	45,788	35,846

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. Treasury shares of \$515,000 have been shown as a deduction from other reserves. Other 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	
	2022	2021	2022	2021
Cash flow from operating activities				
Profit/(loss) after tax	6,532	(848)	13,918	(858)
Adjustments for:				
Net finance cost	364	290	651	555
Depreciation, depletion and amortisation	1,865	756	3,867	1,506
Impairment charges	101	-	1,241	-
Share-based payments	42	-	84	-
Other gains and losses	(151)	(130)	(161)	(132)
Taxation	4,569	444	6,430	567
Foreign exchange effect on deferred tax liability	(14)	-	(1,995)	-
Net change in working capital	(16,244)	(901)	(11,561)	(2,666)
Cash (used in)/from operating activities	(2,936)	(389)	12,474	(1,028)
Tax paid	(1,421)	(320)	(1,652)	(362)
Net cash (used in)/from operating activities	(4,357)	(709)	10,822	(1,390)
Cash flow from investing activities:				
Interest received	4	2	66	13
Expenditure on property, plant and equipment	(976)	(2,766)	(4,276)	(3,603)
Movement in restricted cash	1	(56)	26	(53)
Net change in working capital	-	2,180	(8,892)	2,411
Net cash used in investing activities	(971)	(640)	(13,076)	(1,232)
Cash flow from financing activities:				
Proceeds from issuance of shares	-	1,401	-	1,401
Share repurchases	(354)	-	(515)	-
Net cash used in financing activities	(354)	1,401	(515)	1,401
Effects of exchange rate changes	168	23	(371)	(18)
Net (decrease)/increase in cash and cash equivalents	(5,514)	75	(3,140)	(1,239)
Cash and cash equivalents at beginning of the period	11,651	433	9,277	1,747
Cash and cash equivalents at end of the period	6,137	508	6,137	508

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 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.

The Group’s forecast net cashflow is considered to be adequate to meet the Group’s financial obligations as they fall due over the next 12 months. This includes repayment of \$2.8 million for the Gemini loan which was made in July 2022 and \$6.3 million for repayment of the convertible debenture due 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. Once these loans have been repaid the Group will have no borrowings, and the Groups’s liabilities will mainly comprise the oil sale prepayment, taxes and trade payables.. Group revenue for the six months ended June 30, 2022 was \$30.5 million, profit after tax was \$13.9 million and net cash generated from operating activities was \$10.8 million. In August 2022, the Group received a further prepayment for oil sales of \$19.2 million. The primary use of proceeds will be to go toward a combination of the outstanding payables, share repurchase, tax obligations, upcoming payments for infrastructure spending, possible dividends and other disbursements.

In the event of a downside scenario such as an unexpected reduction in future oil prices or production levels the Group would seek to mitigate this by reducing discretionary capital expenditure, including planned exploration activities.

The Board of Directors is therefore satisfied that the Group’s forecasts and projections 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 June 30, 2022.

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.

Tethys Petroleum Limited

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, 2020.

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, 2022 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

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.

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 \$94,919,000.

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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, 2021:

	Kazakhstan	Corporate	Total ¹
Gas sales	4,336	-	4,336
Oil sales	-	-	-
Segment revenue and other income	4,336	-	4,336
Profit/(loss) before taxation	715	(1,006)	(291)
Taxation	(567)	-	(567)
Profit/(loss) for the period	148	(1,006)	(858)
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.

4 Earnings/(loss) per share

Continuing operations	Units	Three months ended June 30		Six months ended June 30	
		2022	2021	2022	2021
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share attributable to ordinary shareholders	\$'000	6,532	(848)	13,918	(858)
Weighted average shares - basic	000s	107,548	106,102	107,548	107,235
Weighted average shares - diluted	000s	124,283	106,102	124,283	107,235
Earnings/(loss) per share - basic	\$	0.06	(0.01)	0.13	(0.01)
Earnings/(loss) per share - diluted	\$	0.05	(0.01)	0.11	(0.01)

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 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

- *Extension of Pilot production project*

On August 22, 2022 the Group announced that the Ministry of Energy has approved an extension on the pilot production period for the three wells KBD-02, KBD-06 and KBD-07 until October 2023.

Tethys Petroleum Limited

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

- *Oil sales prepayment*

Also on August 22, 2022 the Group announced that it had recently concluded an agreement to sell an additional 50,000 tons of oil at a price of \$384.50 USD per ton. This prepayment has been received and provides Tethys with approximately \$19.225 million USD. The primary use of proceeds will be to go toward a combination of the outstanding payables, share repurchase, tax obligations, upcoming payments for infrastructure spending, possible dividends and other disbursements.