

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
September 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
October 26, 2022

A. Ogunsemi
Director
October 26, 2022

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

		As at	
	Note	September 30, 2022	December 31, 2021
<i>Non-current assets:</i>			
Property, plant and equipment		60,824	60,047
Intangible assets		168	-
Restricted cash		445	368
Total non-current assets		61,437	60,415
<i>Current assets:</i>			
Cash and cash equivalents		15,009	9,277
Trade and other receivables		7,200	3,911
Inventories		485	341
Total current assets		22,694	13,529
Total assets		84,131	73,944
<i>Non-current liabilities:</i>			
Financial liabilities - borrowings		-	3,893
Deferred tax		12,227	10,499
Provisions		2,375	2,211
Total non-current liabilities		14,602	16,603
<i>Current liabilities:</i>			
Financial liabilities - borrowings		4,711	2,685
Current taxation		6,321	2,046
Deferred revenue		7,956	14,282
Trade and other payables		7,123	15,969
Total current liabilities		26,111	34,982
Total liabilities		40,713	51,585
<i>Equity:</i>			
Share capital		10,755	10,755
Share premium		371,955	371,955
Other reserves		45,756	46,219
Accumulated deficit		(385,048)	(406,570)
Total equity		43,418	22,359
Total equity and liabilities		84,131	73,944
Going concern	1		
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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 October 26, 2022 and were signed on its behalf.

W. Wells
Chairman
October 26, 2022

A. Ogunsemi
Director
October 26, 2022

Tethys Petroleum Limited

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

		Three months ended September 30		Nine months ended September 30	
	Note	2022	2021	2022	2021
Sales and other revenues	3	16,364	2,516	46,845	6,852
Production expenses		(1,699)	(655)	(4,725)	(1,936)
Depreciation, depletion and amortisation		(1,593)	(781)	(5,460)	(2,287)
Impairment charges		(493)	-	(1,734)	-
Administrative expenses		(1,229)	(739)	(3,131)	(2,312)
Share-based payments		(45)	-	(129)	-
Other gains and losses		(11)	(2)	151	130
Foreign exchange gains and losses		496	(58)	972	98
Finance costs		(153)	(303)	(804)	(858)
		(4,727)	(2,538)	(14,860)	(7,165)
Profit/(loss) before tax from continuing operations		11,637	(22)	31,985	(313)
Taxation		(4,032)	(86)	(10,463)	(652)
Profit/(loss) from continuing operations and total comprehensive income/(loss)		7,605	(108)	21,522	(965)
Earnings/(loss) per share:					
Basic (\$)	4	0.07	(0.00)	0.20	(0.01)
Diluted (\$)	4	0.06	(0.00)	0.17	(0.01)

No dividends were paid or are declared for the period (2021: 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)

	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	-	-	(965)	-	(965)
Transactions with shareholders					
Shares issued	260	1,141	-	-	1,401
Total transactions with shareholders	260	1,141	-	-	1,401
At September 30, 2021	10,755	371,955	(403,546)	46,192	25,356
At January 1, 2022	10,755	371,955	(406,570)	46,219	22,359
Comprehensive loss for the period	-	-	21,522	-	21,522
Share repurchases	-	-	-	(592)	(592)
Share-based payments	-	-	-	129	129
At September 30, 2022	10,755	371,955	(385,048)	45,756	43,418

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 \$592,000 have been shown as a deduction from other reserves. Other 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash flow from operating activities				
Profit/(loss) after tax	7,605	(108)	21,522	(965)
Adjustments for:				
Net finance cost	153	303	804	858
Depreciation, depletion and amortisation	1,593	781	5,460	2,287
Impairment charges	493	-	1,734	-
Share-based payments	45	-	129	-
Other gains and losses	11	2	(151)	(130)
Taxation	4,032	86	10,463	652
Foreign exchange effect on deferred tax liability	(549)	-	(2,544)	-
Net change in working capital	4,099	4,430	(7,464)	1,764
Cash from operating activities	17,482	5,494	29,953	4,466
Tax paid	(184)	(175)	(1,836)	(520)
Net cash from operating activities	17,298	5,319	28,117	3,946
Cash flow from investing activities:				
Interest received	194	4	259	17
Expenditure on exploration assets	(168)	-	(168)	-
Expenditure on property, plant and equipment	(3,695)	(4,004)	(7,971)	(7,607)
Movement in restricted cash	(136)	(221)	(110)	(274)
Net change in working capital	(1,847)	(1,009)	(10,739)	1,402
Net cash used in investing activities	(5,652)	(5,230)	(18,729)	(6,462)
Cash flow from financing activities:				
Repayment of borrowings	(2,772)	-	(2,772)	-
Proceeds from share issuance	-	-	-	1,401
Share repurchases	(77)	-	(592)	-
Net cash (used in)/from financing activities	(2,849)	-	(3,364)	1,401
Effects of exchange rate changes	75	61	(292)	26
Net increase/(decrease) in cash and cash equivalents	8,872	150	5,732	(1,089)
Cash and cash equivalents at beginning of the period	6,137	508	9,277	1,747
Cash and cash equivalents at end of the period	15,009	658	15,009	658

The notes on pages 6 to 8 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 Group’s liabilities will mainly comprise the oil sale prepayment, taxes and trade payables. Group revenue for the nine months ended September 30, 2022 was \$46.8 million, profit after tax was \$21.5 million and net cash generated from operating activities was \$28.1 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 September 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 nine months ended September 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 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 and also conducts exploration activity. 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 September 30, 2022:

	Kazakhstan	Corporate	Total ¹
Gas sales	3,277	-	3,277
Oil sales	43,557	-	43,557
Other income	11	-	11
Segment revenue and other income	46,845	-	46,845
Profit/(loss) before taxation	33,922	(1,937)	31,985
Taxation	(10,463)	-	(10,463)
Profit/(loss) for the period	23,459	(1,937)	21,522
Total assets	83,192	95,060	84,131
Total liabilities	129,111	5,723	40,713
Expenditure on exploration & evaluation assets, property, plant and equipment	8,139	-	8,139
Depreciation, depletion & amortization	5,460	-	5,460

Note 1 – Total is after elimination of inter-segment items of \$94,121,000.

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 nine months ended September 30, 2021:

	Kazakhstan	Corporate	Total ¹
Gas sales	6,585	-	6,585
Oil sales	267	-	267
Segment revenue and other income	6,852	-	6,852
Profit/(loss) before taxation	1,212	(1,525)	(313)
Taxation	(652)	-	(652)
Profit/(loss) for the period	560	(1,525)	(965)
Total assets	58,468	103,065	58,553
Total liabilities	128,552	7,625	33,197
Expenditure on exploration & evaluation assets, property, plant and equipment	(7,607)	-	(7,607)
Depreciation, depletion & amortization	(2,287)	-	(2,287)

Note 1 – Total is after elimination of inter-segment items of \$102,980,000.

4 Earnings/(loss) per share

Continuing operations	Units	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share attributable to ordinary shareholders	\$'000	7,605	(108)	21,522	(965)
Weighted average shares - basic	000s	107,548	107,548	107,548	106,589
Weighted average shares - diluted	000s	124,617	107,548	124,617	106,589
Earnings/(loss) per share - basic	\$	0.07	(0.00)	0.20	(0.01)
Earnings/(loss) per share - diluted	\$	0.06	(0.00)	0.17	(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

There are no subsequent events to report.