

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
September 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

November 14, 2023

A. Ogunsemi

Director

November 14, 2023

Tethys Petroleum Limited

Condensed Consolidated Statements of Financial Position (unaudited)

(in thousands of US dollars except per share information)

	Note	As at September 30, 2023	December 31, 2022
<i>Non-current assets:</i>			
Property, plant and equipment		82,668	62,430
Intangible assets		365	168
Restricted cash		537	538
Total non-current assets		83,570	63,136
<i>Current assets:</i>			
Cash and cash equivalents		9,973	14,538
Trade and other receivables		9,018	8,976
Inventories		1,045	616
Total current assets		20,036	24,130
Total assets		103,606	87,266
<i>Non-current liabilities:</i>			
Deferred tax		30,184	30,111
Provisions		2,144	2,377
Trade and other payables		15,244	-
Total non-current liabilities		47,572	32,488
<i>Current liabilities:</i>			
Financial liabilities - borrowings		-	2,510
Current taxation		827	5,354
Deferred revenue		3,510	5,194
Trade and other payables		8,376	6,604
Total current liabilities		12,713	19,662
Total liabilities		60,285	52,150
<i>Equity:</i>			
Share capital		11,507	11,611
Share premium		368,825	372,011
Other reserves		44,208	45,268
Treasury shares		(105)	(643)
Accumulated deficit		(381,114)	(393,131)
Total equity		43,321	35,116
Total equity and liabilities		103,606	87,266
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 November 14, 2023 and were signed on its behalf.

W. Wells
Chairman
November 14, 2023

A. Ogunsemi
Director
November 14, 2023

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

(in thousands of US dollars except per share information)

		Three months ended		Nine months ended	
	Note	September 30	September 30	September 30	September 30
		2023	2022	2023	2022
Sales and other revenues	3	11,069	16,364	30,048	46,845
Production expenses		(1,626)	(1,699)	(4,925)	(4,725)
Depreciation, depletion and amortisation		(1,562)	(1,593)	(3,850)	(5,460)
Impairment charges		-	(493)	-	(1,734)
Administrative expenses		(1,246)	(1,229)	(4,023)	(3,131)
Share-based payments		(24)	(45)	(79)	(129)
Other gains and losses		2	(11)	(125)	151
Foreign exchange gains and losses		(550)	496	(1,264)	972
Finance costs		(312)	(153)	(1,041)	(804)
		(5,318)	(4,727)	(15,307)	(14,860)
Profit before tax from continuing operations		5,751	11,637	14,741	31,985
Taxation		(1,506)	(4,032)	(3,863)	(10,463)
Profit from continuing operations and total comprehensive income		4,245	7,605	10,878	21,522
Earnings per share:					
Basic (\$)	4	0.04	0.07	0.09	0.20
Diluted (\$)	4	0.04	0.06	0.09	0.17

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

The notes on pages 6 to 8 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)

	Attributable to shareholders				Treasury shares	Total equity
	Share capital	Share premium	Accumulated deficit	Other reserves		
At January 1, 2022	10,755	371,955	(406,570)	46,219		22,359
Comprehensive income 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
At January 1, 2023	11,611	372,011	(393,131)	45,268	(643)	35,116
Comprehensive income for the period	-	-	10,878	-	-	10,878
Compound instrument extinguished	-	-	1,139	(1,139)	-	-
Dividend paid	-	(2,621)	-	-	23	(2,598)
Share repurchases	-	-	-	-	(154)	(154)
Shares cancelled	(104)	(565)	-	-	669	-
Share-based payments	-	-	-	79	-	79
At September 30, 2023	11,507	368,825	(381,114)	44,208	(105)	43,321

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 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	
	2023	2022	2023	2022
Cash flow from operating activities				
Profit before tax	5,751	11,637	14,741	31,985
Adjustments for:				
Net finance cost	312	153	1,041	804
Depreciation, depletion and amortisation	1,562	1,593	3,850	5,460
Impairment charges	-	493	-	1,734
Share-based payments	24	45	79	129
Other gains and losses	(2)	11	125	(151)
Net change in working capital	3,917	3,550	(4,454)	(10,008)
Cash from operating activities	11,564	17,482	15,382	29,953
Tax paid	(74)	(184)	(5,261)	(1,836)
Net cash from operating activities	11,490	17,298	10,121	28,117
Cash flow from investing activities:				
Interest received	190	194	491	259
Expenditure on exploration assets	(15)	(168)	(197)	(168)
Expenditure on property, plant and equipment	(1,390)	(3,695)	(6,461)	(7,971)
Historical costs payments	(707)	-	(707)	-
Movement in restricted cash	(6)	(136)	(12)	(110)
Net change in working capital	(1,735)	(1,847)	(121)	(10,739)
Net cash used in investing activities	(3,663)	(5,652)	(7,007)	(18,729)
Cash flow from financing activities:				
Repayment of borrowings	-	(2,772)	(3,125)	(2,772)
Dividends paid	-	-	(2,598)	-
Share repurchases	(60)	(77)	(153)	(592)
Net cash used in financing activities	(60)	(2,849)	(5,876)	(3,364)
Effects of exchange rate changes	(1,391)	75	(1,803)	(292)
Net increase/(decrease) in cash and cash equivalents	6,376	8,872	(4,565)	5,732
Cash and cash equivalents at beginning of the period	3,597	6,137	14,538	9,277
Cash and cash equivalents at end of the period	9,973	15,009	9,973	15,009

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)

(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

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Notes to Condensed Consolidated Interim Financial Statements (unaudited)

(in thousands of US dollars)

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, 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 nine months ended September 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 nine months ended September 30, 2023:

	Kazakhstan	Corporate	Total ¹
Gas sales	30	-	30
Oil sales	30,014	-	30,014
Other income	4	-	4
Segment revenue and other income	30,048	-	30,048
Profit/(loss) before taxation	16,330	(1,589)	14,741
Taxation	(3,842)	(21)	(3,863)
Profit/(loss) for the period	12,488	(1,610)	10,878
Total assets	103,460	90,410	103,606
Total liabilities	147,970	2,579	60,285
Expenditure on exploration & evaluation assets, property, plant and equipment	6,658	-	6,658
Depreciation, depletion & amortization	3,850	-	3,850

Note 1 – Total is after elimination of inter-segment items of \$90,264.

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(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, 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.

4 Earnings per share

Continuing operations	Units	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
Profit for the purpose of basic and diluted earnings per share attributable to ordinary shareholders	\$'000	4,245	7,605	10,878	21,522
Weighted average shares - basic	000s	115,075	107,548	115,211	107,548
Weighted average shares - diluted	000s	115,075	124,617	115,211	124,617
Earnings per share - basic	\$	0.04	0.07	0.09	0.20
Earnings per share - diluted	\$	0.04	0.06	0.09	0.17

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

There are no subsequent events to report.