

**TETHYS PETROLEUM LIMITED**  
(formerly known as Tethys Petroleum Investments Limited)

**Consolidated Balance Sheets - Unaudited**

	Note	As at	
		September 30, 2007	December 31, 2006
(Expressed in 000's United States dollars)			
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		37,221	1,763
Prepayments	4	441	331
Other current assets		782	2
<b>Total current assets</b>		<u>38,444</u>	<u>2,096</u>
<b>NON CURRENT ASSETS</b>			
Prepayments	4	6,245	3,852
Restricted Cash	5	219	205
Other accounts receivables	6	2,004	1,086
Prepaid financing fees		-	30
Capital assets	7	38,837	12,318
<b>Total Assets</b>		<u>85,749</u>	<u>19,587</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Accounts payable	8	1,087	878
Accrued liabilities		77	-
Other liabilities		120	453
<b>Total current liabilities</b>		<u>1,284</u>	<u>1,331</u>
Long term debt	9	-	3,084
Other non current liabilities		-	32
Provision for future site restoration	10	658	451
<b>Total Liabilities</b>		<u>1,942</u>	<u>4,898</u>
Stockholders' equity	13		
Common stock, authorized - 100,000,000 shares; shares issued, issuable and outstanding - 45,116,696 at 30 September 2007 and 14,000,000 at 31 December, 2006.		99,584	22,315
Contributed Surplus		2,921	-
Warrants	14	16,555	2,220
Accumulated deficit		(35,253)	(9,846)
<b>Total stockholders' equity</b>		<u>83,807</u>	<u>14,689</u>
<b>Total Liabilities and Stockholders' Equity</b>		<u>85,749</u>	<u>19,587</u>
Commitments and contingencies	12		

See accompanying notes to these financial statements

**TETHYS PETROLEUM LIMITED**  
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**Consolidated Statement of Cash Flows - unaudited**

	For three months to		Year to date	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
	(Expressed in 000's United States dollars)		(Expressed in 000's United States dollars)	
<b>Operating activities:</b>				
Loss from operations	(2,969)	(3,160)	(25,407)	(3,785)
Share warrants	679	-	17,256	-
Non-cash interest expense		-	1,917	-
Depreciation, depletion and amortization	20	14	48	22
Accounts receivable	(342)	11	(1,698)	11
Prepayments	(328)	(288)	(80)	2,425
Accounts payable	126	218	209	(73)
Accrued liabilities	(1,912)	5	(257)	5
<b>Net cash used in operating activities</b>	<u>(4,725)</u>	<u>(3,200)</u>	<u>(8,012)</u>	<u>(1,394)</u>
<b>Investing activities:</b>				
Capital expenditures	(3,845)	(2,531)	(11,360)	(7,860)
Restricted Cash	(2)	-	(14)	-
Change in oil & gas suppliers prepayments	326	(847)	(2,393)	(1,500)
<b>Net cash used in investing activities</b>	<u>(3,521)</u>	<u>(3,378)</u>	<u>(13,767)</u>	<u>(9,360)</u>
<b>Financing activities:</b>				
Proceeds from sale of common stock		-	67,337	-
Share issue costs	(12)	-	(5,068)	-
Repayment of loans	-	4,514	(5,000)	18,115
Other non-current liabilities	-	-	(32)	-
<b>Net cash provided by (used in) financing activities</b>	<u>(12)</u>	<u>4,514</u>	<u>57,237</u>	<u>18,115</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(8,258)	(2,064)	35,458	7,361
<b>Cash and cash equivalents, beginning of period</b>	45,479	9,864	1,763	439
<b>Cash and cash equivalents, end of period</b>	<u>37,221</u>	<u>7,800</u>	<u>37,221</u>	<u>7,800</u>

See accompanying notes to these financial statements

**Notice to Reader**

The comparative consolidated statement of operations for the three and nine month periods ended September 30, 2006 were not reviewed by the Company's external auditors.



**TETHYS PETROLEUM LIMITED**  
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**Consolidated Statements of Changes in Stockholders Equity - Unaudited**

	<u>Common Stock</u>		Contributed Surplus	Warrants Reserve	Accumulated Deficit	Total Stockholders Equity
	No of Shares Issued	Share Capital				
(Expressed in 000's United States dollars except share data)						
<b>Total December, 31 2006</b>	<u>70,000,000</u>	<u>22,315</u>	<u>0</u>	<u>2,220</u>	<u>(9,846)</u>	<u>14,689</u>
Shares Issued pursuant to Private Placement completed on February, 17 2007	34,674,390	17,337	-	-	-	17,337
Change in discount recorded for issue of warrants to purchase 5 million shares	-	-	-	238	-	238
Finance Costs - in the quarter	-	(616)	-	-	-	(616)
Net Loss	-	-	-	-	(2,321)	(2,321)
<b>Total, March 31 2007</b>	<u>104,674,390</u>	<u>39,036</u>	<u>-</u>	<u>2,458</u>	<u>(12,167)</u>	<u>29,327</u>
	20,934,878	39,036	-	2,458	(12,167)	29,327
Issue of shares to acquire 30% of BN Munai	6,000,000	15,000	-	-	-	15,000
Initial Public Offering (IPO)	18,181,818	50,000	-	-	-	50,000
Finance Costs - in the quarter	-	(4,440)	-	-	-	(4,440)
Employee share options and warrants	-	-	2,242	14,097	-	16,339
Net loss in period	-	-	-	-	(20,117)	(20,117)
<b>Total, June 30, 2007</b>	<u>45,116,696</u>	<u>99,596</u>	<u>2,242</u>	<u>16,555</u>	<u>(32,284)</u>	<u>86,109</u>
Employee share options and warrants	-	-	679	-	-	679
Finance Costs - in the quarter	-	(12)	-	-	-	(12)
Net loss in period	-	-	-	-	(2,969)	(2,969)
<b>Total, September 30, 2007</b>	<u>45,116,696</u>	<u>99,584</u>	<u>2,921</u>	<u>16,555</u>	<u>(35,253)</u>	<u>83,807</u>

See accompanying notes to these financial statements

**TETHYS PETROLEUM LIMITED**  
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**Consolidated Statements of Operations - Unaudited**

	For three months to		Note	Year to date	
	Sept 30, 2007	Sept 30, 2006		Sept 30, 2007	Sept 30, 2006
	(Expressed in 000's United States dollars except share data)			(Expressed in 000's United States dollars except share data)	
Operating Revenues					
Oil and gas sales	-	-		-	-
Other	-	-		-	-
	-	-		-	-
Operating Expenses:					
Selling, general and administrative	3,422	1,932		23,420	3,194
Depreciation, depletion and amortization	20	10		48	22
	3,442	1,942		23,468	3,216
<b>Operating Loss</b>	<b>(3,442)</b>	<b>(1,942)</b>		<b>(23,468)</b>	<b>(3,216)</b>
Other Income (Expense):					
Interest, net	451	(1,101)		(1,817)	(599)
Foreign exchange gains (losses)	51	(39)		(92)	111
Other	(29)	(78)		(30)	(81)
<b>Total Other Expense</b>	<b>473</b>	<b>(1,218)</b>		<b>(1,939)</b>	<b>(569)</b>
<b>Loss Before Income Taxes</b>	<b>(2,969)</b>	<b>(3,160)</b>		<b>(25,407)</b>	<b>(3,785)</b>
Income taxes	-	-	15	-	-
<b>Net Loss</b>	<b>(2,969)</b>	<b>(3,160)</b>		<b>(25,407)</b>	<b>(3,785)</b>
Weighted average number of common shares outstanding	45,116,696	100,000	16	29,283,608	100,000
Basic and diluted loss per share	(0)	(32)		(1)	(38)

See accompanying notes to these financial statements

**Notice to Reader**

The comparative consolidated statement of operations for the three and nine month periods ended September 30, 2006 were not reviewed by the Company's external auditors.