

# **Tethys Petroleum Limited**

Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022

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## Responsibility Statement of the Directors in Respect of the Annual Report and Accounts

The accompanying consolidated financial statements of Tethys Petroleum Limited (hereinafter “the Company”) and its subsidiaries (hereinafter together with subsidiaries “the Group”) and all the information in the Annual Report and Accounts are the responsibility of the Board of Directors. The consolidated financial statements have been prepared by management, acting on behalf of the Board of Directors, in accordance with the accounting policies described in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with IFRS Accounting Standards (“IFRS Accounting Standards”), appropriate in the circumstances, as issued by the International Accounting Standards Board. The consolidated financial information contained elsewhere in the Annual Report and Accounts has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors have examined the consolidated financial statements and have expressed an opinion on the consolidated financial statements. Their report is included with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board of Directors of the Company has established an Audit Committee, consisting of independent non-management directors, to review the consolidated financial statements with management and the auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Management Discussion & Analysis includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

**William Wells**  
Executive Chairman  
April 26, 2024

  
**Adeola Ogunsemi**  
Director  
April 26, 2024

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For and on behalf of the Board



**William Wells**  
Executive Chairman  
April 26, 2024

**Adeola Ogunsemi**  
Director  
April 26, 2024

# Tethys Petroleum Limited

## Consolidated Statements of Financial Position

As at December 31

(in thousands of US dollars)

	Notes	2023	2022
<i>Non-current assets:</i>			
Property, plant and equipment	10	70,580	62,430
Exploration and evaluation assets		419	168
Trade and other receivables	11	1,086	-
Restricted cash		600	538
<b>Total non-current assets</b>		<b>72,685</b>	<b>63,136</b>
<i>Current assets:</i>			
Cash and cash equivalents	17	7,216	14,538
Prepaid income tax		213	-
Trade and other receivables	11	4,680	8,976
Inventories		537	616
<b>Total current assets</b>		<b>12,646</b>	<b>24,130</b>
<b>Total assets</b>		<b>85,331</b>	<b>87,266</b>
<i>Non-current liabilities:</i>			
Deferred tax liabilities	8	33,956	30,111
Provisions	14	2,414	2,377
Trade and other payables	13	1,894	-
<b>Total non-current liabilities</b>		<b>38,264</b>	<b>32,488</b>
<i>Current liabilities:</i>			
Financial liabilities - borrowings	12	-	2,510
Current income tax payable		90	5,354
Contract liabilities - deferred revenue	6	14	5,194
Trade and other payables	13	4,771	6,604
<b>Total current liabilities</b>		<b>4,875</b>	<b>19,662</b>
<b>Total liabilities</b>		<b>43,139</b>	<b>52,150</b>
<i>Equity:</i>			
Share capital	15	11,507	11,611
Share premium	15	368,825	372,011
Other reserves	15	44,224	45,268
Treasury shares		(108)	(643)
Accumulated deficit		(382,256)	(393,131)
<b>Total equity</b>		<b>42,192</b>	<b>35,116</b>
<b>Total equity and liabilities</b>		<b>85,331</b>	<b>87,266</b>
<b>Commitments and contingencies</b>	18		
<b>Subsequent events</b>	19		

The notes on pages 5 to 40 form part of these consolidated financial statements.

The consolidated financial statements were approved by the Board on April 26, 2024 and were signed on its behalf.



W. Wells  
Chairman

A. Ogunsemi  
Director

# Tethys Petroleum Limited

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W. Wells  
Chairman



A. Ogunsemi  
Director

# Tethys Petroleum Limited

## Consolidated Statements of Profit and Comprehensive Income

For the year ended December 31

(in thousands of US dollars, except per share amounts)

	Notes	2023	2022
Sales revenues	6	36,479	65,492
Production expenses	6	(6,081)	(7,035)
Depreciation, depletion and amortisation	10	(4,270)	(7,614)
Impairment charges	10	(1,720)	(1,817)
Administrative expenses	7	(5,354)	(4,851)
Share-based payments	15	(95)	(188)
Other losses		(298)	(565)
Foreign exchange gain/(loss)		36	(1,147)
Finance costs, net	12	(247)	(958)
<b>Total expenses</b>		<b>(18,029)</b>	<b>(24,175)</b>
<b>Profit before tax</b>		<b>18,450</b>	<b>41,317</b>
Corporate income tax expense	8	(8,714)	(29,017)
<b>Profit for the year and total comprehensive income for the year attributable to shareholders</b>		<b>9,736</b>	<b>12,300</b>
<b>Earnings per share attributable to shareholders:</b>			
Basic (\$)	9	0.08	0.11
Diluted (\$)	9	0.08	0.10

Dividends paid and declared for the year amounted to \$2,599 (2022: \$1,741). Refer to note 15 for further details.

The notes on pages 5 to 40 form part of these consolidated financial statements.



# Tethys Petroleum Limited

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# Tethys Petroleum Limited

## Consolidated Statements of Changes in Equity

For the year ended December 31

(in thousands of US dollars)

	Notes	Share capital	Share premium	Accumulated deficit	Other reserves	Treasury shares	Total equity
<b>At January 1, 2022</b>	15	10,755	371,955	(406,570)	46,219	-	22,359
Profit for the year		-	-	12,300	-	-	12,300
Share-based payments	15	-	-	-	188	-	188
Compound instrument extinguished	12	-	-	1,139	(1,139)	-	-
<b>Transactions with shareholders</b>							
Shares issued	15	856	1,797	-	-	-	2,653
Shares repurchased	15	-	-	-	-	(643)	(643)
Dividends paid	15	-	(1,741)	-	-	-	(1,741)
Total transactions with shareholders		856	56	-	-	(643)	269
<b>At December 31, 2022 and January 1, 2023</b>	15	11,611	372,011	(393,131)	45,268	(643)	35,116
Profit for the year		-	-	9,736	-	-	9,736
Share-based payments	15	-	-	-	95	-	95
Compound instrument extinguished	12	-	-	1,139	(1,139)	-	-
<b>Transactions with shareholders</b>							
Shares repurchased	15	-	-	-	-	(156)	(156)
Shares cancelled	15	(104)	(565)	-	-	669	-
Dividends paid	15	-	(2,621)	-	-	22	(2,599)
Total transactions with shareholders		(104)	(3,186)	-	-	535	(2,755)
<b>At December 31, 2023</b>	15	11,507	368,825	(382,256)	44,224	(108)	42,192

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 5 to 40 form part of these consolidated financial statements.



# Tethys Petroleum Limited

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Profit for the year		-	-	9,736	-	-	9,736
Share-based payments	15	-	-	-	95	-	95
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# Tethys Petroleum Limited

## Consolidated Statements of Cash Flows

For the year ended December 31  
(in thousands of US dollars)

	Notes	2023	2022
<b>Cash flow from operating activities</b>			
Profit before tax		18,450	41,317
Adjustments for:			
Share-based payments		95	188
Finance costs, net		247	958
Depreciation, depletion and amortisation	10	4,270	7,614
Impairment charges	10	1,720	1,817
Other losses		244	565
Net change in working capital	17	(5,397)	(11,636)
Corporate income tax paid		(9,519)	(6,740)
<b>Net cash from operating activities</b>		<b>10,110</b>	<b>34,083</b>
<b>Cash flow from investing activities</b>			
Interest received		736	628
Acquisition of exploration and evaluation assets		(251)	(168)
Acquisition of property, plant and equipment		(11,817)	(11,875)
Historical costs payments		(158)	-
Movement in restricted cash		(62)	(147)
Net change in working capital		-	(10,934)
<b>Net cash used in investing activities</b>		<b>(11,552)</b>	<b>(22,496)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(3,125)	(2,772)
Shares repurchased	15	(156)	(643)
Dividends paid	15	(2,599)	(1,741)
<b>Net cash used in financing activities</b>		<b>(5,880)</b>	<b>(5,156)</b>
Effects of exchange rate changes on cash and cash equivalents		-	(1,170)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,322)</b>	<b>5,261</b>
Cash and cash equivalents at beginning of the year		14,538	9,277
<b>Cash and cash equivalents at end of the year</b>	<b>17</b>	<b>7,216</b>	<b>14,538</b>

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# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 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 Grand Pavilion Hibiscus Way, 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 (“TSXV”). The Company is also listed on the Kazakhstan Stock Exchange (“KASE”).

The total number of full-time employees of the Group at December 31, 2023 was 232 (2022: 267).

#### 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.

Risks and uncertainties facing the Group include the risk that oil and gas prices may be significantly lower than assumed in the Group’s forecasts, that the restart of gas production may be delayed if the issues with Qazaq gas over the price for 2022 gas deliveries and 2024 production are not resolved and that the start of commercial oil production in Kul-Bas may be delayed if the Group does not receive all the required approvals and permits for it to be awarded a commercial production licence on a timely basis. Further information on the status of these matters is provided in note 19 - *Events after the reporting period*.

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 December 31, 2023. 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 consolidated financial statements.

Scenario: The Group’s income and profits are materially reduced due to a 25% reduction in expected oil prices and a delay in the restart of gas production.

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 December 31, 2023 and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended December 31, 2023.

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 2 Summary of material accounting policies

#### Basis of preparation

The consolidated financial statements are presented in United States dollars (“\$”). Foreign operations are included in accordance with the policies set out in this note.

#### Statement of compliance

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention and are in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 4.

#### New and amended standards adopted by the Group

The Group adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions and did not have a material impact on the consolidated financial statements.

- IFRS 17 Insurance Contracts - IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2023. Applicable to annual reporting periods beginning on or after January 1, 2023. The standard had no impact on the consolidated financial statements of the Group;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. Effective for annual reporting periods beginning on or after January 1, 2023.
- Definition of Accounting Estimates (Amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in consolidated financial statements to be measured in a way that involves measurement uncertainty. The amendments

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Effective for annual reporting periods beginning on or after January 1, 2023.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Effective for annual reporting periods beginning on or after January 1, 2023
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes. The application of the exception and disclosure of that fact is effective immediately, the other disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023.

### New and amended standards and interpretations issued but not yet adopted

The Group will assess the impact of the following amendments to the standards and interpretations applicable for future periods but at this stage does not expect them to have a material impact on the Group's consolidated financial statements at the adoption date:

- *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* - IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. Applicable to annual reporting periods beginning on or after January 1, 2024.
- *IFRS S2 Climate-related Disclosures* - IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. Applicable to annual reporting periods beginning on or after January 1, 2024.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) - the amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Effective for annual reporting periods beginning on or after January 1, 2024;
- Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1). The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after January 1, 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

to be accounted for as a sale. Effective for annual reporting periods beginning on or after January 1, 2024;

- Non-current Liabilities with Covenants (Amendments to IAS 1). The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Effective for annual reporting periods beginning on or after January 1, 2024;
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Effective for annual reporting periods beginning on or after January 1, 2024;
- Lack of Exchangeability (Amendments to IAS 21). The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Effective for annual reporting periods beginning on or after January 1, 2024.

### Basis of consolidation

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. All subsidiaries, as listed in note 16, have been consolidated into the Company's consolidated financial statements.

Inter-company transactions, balances and unrealized gains or losses between subsidiaries are eliminated. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as the Company.

#### *Joint arrangements*

The Group classifies its interests in joint arrangements as either joint operations (if the company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considers the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

Where the Group has an interest in a joint operation, it recognises its own assets, liabilities and transactions, including its share of those incurred jointly.

The Group's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Group's investment is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture, less distributions received and less any impairment in value of the investment. The Group's Consolidated Statements of Profit



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and Comprehensive Income reflects the Group's share of the profit or loss after tax and other comprehensive profit or loss of the joint venture, until the date on which significant influence or joint control ceases.

When the Group's share of losses in the joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Financial statements of joint ventures are prepared for the same reporting year as the Company.

Accounting policies of the joint venture are consistent with accounting policies adopted by the Company.

### Segment reporting

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.

### Foreign currency translation

Items included in the financial statements of all of the Company's subsidiaries are measured in United States dollars (\$) which is the currency of the primary economic environment in which the subsidiaries operate ("the functional currency"). These consolidated financial statements are presented in \$, which is the Group's functional currency and presentation currency. Refer to note 19 for information about changes to the Kazakhstan subsidiaries functional currency after the end of the reporting period.

All monetary assets and liabilities denominated in foreign currencies are translated into \$ at the rate of exchange in effect at the reporting date. Non-monetary assets are translated at historical exchange rates.

Revenue and expense items (excluding depreciation and amortisation which are translated at the same rates as the related assets) are translated at the average rate of exchange.

Exchange gains and losses arising on translation are taken to the Consolidated Statements of Profit and Comprehensive Income.

### Revenue from contracts with customers

The Group is in the business of producing and selling crude oil and natural gas. Revenue from contracts with customers is recognised when control of the crude oil or natural gas is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the crude oil and natural gas. The Group has concluded that it is the principal in its revenue arrangements because it controls the crude oil and natural gas before transferring them to the customer. Contracts with customers have one performance obligation to deliver crude oil or natural gas at prices stated at the contracts, with no variable considerations.

Revenue from sale of natural gas is recognised at the point in time when control of the asset is transferred to the customer, when it is delivered via the Group's gas pipeline at the meter point with the State-owned gas trunk-line. The normal credit term is 30 days after the end of the calendar month of supply.

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Revenue from sale of crude oil is recognised at the point in time when control of the asset is transferred to the customer, when it is delivered at the well-site. Credit terms can vary from payment in advance of delivery to 30 days after the date of delivery.

Advance payments received from customers are shown in the Group's consolidated statement of financial position as deferred revenue until such time as the conditions for revenue recognition have been met at which time they are shown as sales revenue in the Consolidated Statements of Profit and Comprehensive Income.

### Test production and the appraisal and development phase

Test production is production that is generated in the appraisal and development phase before commercial discovery of oil or gas is officially recognised. Revenue and costs generated from a field classified as operating in the production phase is recorded through the Consolidated Statements of Profit and Comprehensive Income.

### Oil and gas properties in the production phase

Oil and gas properties within Property, plant and equipment are stated at cost, less accumulated depletion and accumulated impairment losses.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties, as long as the facts and circumstances indicate that the field has commercially viable reserves.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the asset retirement obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Once commercial production in an area of interest has commenced, oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area. The unit-of-production rate for the depletion of field development costs takes into account expenditures incurred to date, together with future development expenditure to develop the proved and probable reserves. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations do not give rise to prior year financial period adjustments and are dealt with on a prospective basis.

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### Other property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of these assets less residual value over their estimated useful economic lives, for the following classes of assets:

Vehicles	Straight line	4 years
Computer equipment	Straight line	3 years
Office equipment	Straight line	5 years

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Consolidated Statements of Profit and Comprehensive Income.

### Impairment of non-financial assets

Exploration and evaluation costs are tested for impairment when reclassified to oil and gas properties or whenever facts and circumstances indicate potential impairment. An impairment loss is recognised for the amount by which the exploration and evaluation expenditure's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure's fair value less costs to sell and their value in use.

Values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the Consolidated Statements of Profit and Comprehensive Income so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

### Asset retirement obligation ("ARO")

Provision is made for the present value of the future cost of abandonment of oil and gas wells and related facilities. This provision is recognised when a legal or constructive obligation arises.

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The estimated costs, based on engineering cost levels prevailing at the reporting date, are computed on the basis of the latest assumptions as to the scope and method of abandonment. Provisions are measured at the fair value of the expenditures expected to be required to settle the obligation using a pre-tax risk free rate, updated at each reporting date that reflects current market assessments of the time value of money and the risks specific to the obligation. The corresponding amount is capitalised as part of exploration and evaluation expenditure or oil and gas properties and is amortised on a unit-of-production basis as part of the depreciation, depletion and amortisation charge. Any adjustment arising from the reassessment of estimated cost of ARO is capitalised, whilst the charge arising from the accretion of the discount applied to the ARO is treated as a component of finance costs.

### Inventories

Inventories consist of spare parts and consumable materials and are shown at the lower of cost and net realisable value. Cost is determined on a first-in-first-out method for spare parts and consumable materials inventories.

### Taxation including deferred taxation

The tax expense represents current tax and deferred tax.

Current tax is based on the taxable profits for the year. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability settled.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statements of Profit and Comprehensive Income, net of any reimbursement. The increase in the provision due to passage of time is recognised as interest expense.

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### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset or project under construction are capitalised and added to the asset or project cost during construction until such time as the asset or project is substantially ready for its intended use. Where funds are specifically borrowed to finance an asset or project, the amount capitalised represents the actual amount of borrowing cost incurred. Where funds used to finance an asset or project form part of general borrowings, the amount capitalised is calculated by using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the Consolidated Statements of Profit and Comprehensive Income in the period in which they are incurred.

### Restricted cash

Restricted cash comprises credit card deposits and interest-bearing deposits held in Kazakhstan to comply with subsoil use agreements terms for "asset retirement obligations".

### Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognised when the Group becomes a party to the contracts that give rise to them and are classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets not designated upon initial recognition as amortised cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVPL are measured at fair value with changes in fair value recognised in the consolidated statements of operations.

#### *Financial assets at FVOCI*

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognised in other comprehensive income ("OCI") with no reclassification to the consolidated statements of earnings. The election is available on an investment-by-

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investment basis. Investments in equity securities, where the Group cannot exert significant influence, are designated as financial assets at FVOCI.

### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortised cost are measured subsequent to initial recognition at amortised cost using the effective interest method. Cash and cash equivalents, restricted cash, trade and other receivables are classified as and measured at amortised cost.

### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net earnings when the liabilities are derecognised as well as through the amortisation process. Borrowing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Trade and other payables and borrowings are classified as and measured at amortised cost.

### *Derivative instruments*

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

### *Fair values*

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cashflow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### *Impairment of financial assets*

A loss allowance for expected credit losses is recognised in the Consolidated Statements of Profit and Comprehensive Income for financial assets measured at amortised cost. At each reporting date, on a forward-looking basis, the Group assesses the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

### *Derecognition of financial assets and liabilities*

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Group has transferred its rights to receive cash flows from the asset, the Group will assess whether it has relinquished control of the asset or not. If the Group does not control the asset then derecognition is appropriate. A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

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### 3 Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk, commodity price risk, interest rate risk and foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors has overall responsibility for the Group's management of risk, including the identification and analysis of risks faced by the Group and the consideration of controls that monitor changes in risk and minimise risk wherever possible.

#### a) Financial risk factors

##### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk arises from the Group's loans receivable from jointly controlled entities, cash and cash equivalents and accounts receivable balances. With respect to the Group's financial assets, the maximum exposure to credit risk due to default of the counterparty is equal to the carrying value of these instruments. The maximum exposure to credit risk as at the reporting date is:

	2023	2022
Trade receivables, gross	2,962	10,983
Trade receivable, allowance for expected credit losses	-	(6,225)
Other receivables	365	605
Loan receivable from joint venture, gross	3,985	3,806
Loan receivable from joint venture, allowance for expected credit losses (note 11.2)	(3,985)	(3,806)
Cash and cash equivalents	7,216	14,538
Restricted cash	600	538
	<b>11,143</b>	<b>20,439</b>

At December 31, 2023, trade receivables amounted to \$3.0 million (2022: \$11.0 million) representing management's estimate of the remaining amount due from the State gas company QazaqGaz for gas delivered in 2022. The Group has been in dispute with QazaqGaz over the price for gas delivered in 2022. Due to the impasse with QazaqGaz, the Group did not receive any payment for the gas delivered in 2022 until December 2023 when it announced it had entered into an agreement with QazaqGaz resulting in payment for the gas delivered in the first four months of 2022 equivalent to \$4.3 million. Tethys management is continuing to work on resolving the remaining issues, including for the gas delivered between May and December 2022 and the terms of a gas sales contract for future production. The Group is hoping to achieve a successful negotiation, but may be forced to take the matter to arbitration if an acceptable agreement cannot be reached.

The Group seeks to minimise credit risk from trade receivables by dealing with known counterparties and invoicing and collecting payment in advance wherever possible.

Deposits at financial institutions included in cash and cash equivalents and restricted cash are not covered by bank guarantees. Whilst deposits are held with reputable banks of good standing, there is nevertheless a



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risk of credit loss should one of the banks fail and default on its obligations. The Group seeks to minimise credit risk from deposits at financial institutions by utilising financial institutions with acceptable financial standing and spreading deposits across more than one financial institution when balances reach certain levels.

### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due.

The Group's processes for managing liquidity risk includes preparing and monitoring capital and operating budgets, co-ordinating and authorising project expenditures and ensuring appropriate authorisation of contractual agreements. The budget and expenditure levels are reviewed on a regular basis and updated when circumstances indicate change is appropriate. The Group seeks additional financing based on the results of these processes.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

<b>As at December 31, 2023</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>Thereafter</b>
Non-derivative financial liabilities:						
Trade and other payables	6,665	7,116	4,644	248	953	1,271
<b>Total</b>	<b>6,665</b>	<b>7,116</b>	<b>4,644</b>	<b>248</b>	<b>953</b>	<b>1,271</b>

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

### *Commodity price risk*

Commodity price risk arises from the effect that fluctuations of future commodity prices may have on the price received for sales of crude oil and natural gas. The marketability and price of crude oil and natural gas that is produced and may be discovered by the Group will be affected by numerous factors that are beyond the control of the Group.

Crude oil and natural gas prices are subject to wide fluctuations. Any material decline in spot prices could result in a reduction of Tethys' future net production revenues and impact on the commercial viability of the Group's existing and future oil and gas discoveries. It may become uneconomic to produce from some wells as a result of lower prices, which could result in a reduction in volumes and the value of Tethys' oil and gas reserves, if the Group elected not to produce from certain wells at lower prices. For example, a 20% net price reduction from the 2023 average sales prices would result in a reduction of \$6.8 million in oil revenues based on the 2023 sales volume. There was negligible gas production and sales in 2023 although based on a reasonably possible price and volume a 20% net price reduction could result in a reduction of \$1.8 million in gas revenues.

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All of these factors could result in a material decrease in the Group's net production revenue causing a reduction in its acquisition and development activities. There were no commodity price financial derivatives outstanding as at December 31, 2023 and 2022.

### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Existing long-term loans have been agreed at fixed interest rates and consequently are not exposed to changes in market interest rates and the Group accepts the opportunity cost of favourable changes in market interest rates and does not seek to mitigate this risk.

The Group has exposure to interest rate risk on cash and cash equivalents. Interest earned on cash and cash equivalents for the year ended December 31, 2023 was \$0.7 million (2022: \$0.6 million).

As at the reporting date the Group's interest rate profile was:

	<b>Fixed rate financial instruments</b>	<b>Total</b>
<b>As at December 31, 2023</b>		
Restricted cash	600	600
Cash and cash equivalents	7,216	7,216
<b>Total</b>	<b>7,816</b>	<b>7,816</b>
<b>As at December 31, 2022</b>		
Restricted cash	538	538
Cash and cash equivalents	14,538	14,538
Financial liabilities - borrowings	(2,510)	(2,510)
<b>Total</b>	<b>12,566</b>	<b>12,566</b>

### *Foreign exchange risk*

The Group is exposed to risks resulting from fluctuations in foreign currency exchange rates. A material change in the value of any such foreign currency could result in a material adverse effect on the Group's cash flow and future profits. The Group is exposed to exchange rate risk to the extent that balances and transactions are denominated in a currency other than the \$. In addition, expenditures in Kazakhstan are denominated in local currency, tenge. The Group also attempts to negotiate exchange rate stabilisation conditions in new local Tenge denominated service and supply contracts in Kazakhstan. If the Group holds significant surplus funds for long periods of time these are usually held in \$ to minimise foreign exchange risk. However, the Group does maintain deposits in Tenge, as disclosed in the following table, to fund ongoing general and administrative activity and other expenditure incurred in these currencies.

The carrying amounts of the Group's significant Kazakhstan tenge denominated monetary assets and liabilities at the reporting dates are as follows:

<b>In \$'000 equivalent</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	5,317	5,620
Trade and other receivables	3,326	5,156
Trade and other payables	(3,673)	(3,622)
<b>Net exposure</b>	<b>4,970</b>	<b>7,154</b>

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The following table details the Group's sensitivity to a 10% weakening in \$ against the respective foreign currencies, which represents management's assessment of a reasonably possible change in foreign exchange rates. A 10% strengthening in \$ against the respective foreign currencies would have the same impact.

Effect to profit or (loss) before tax in \$'000	2023	2022
KZT	497	715

### b) Capital risk management

The Group's capital structure is comprised of shareholders' equity and borrowings, net of cash and cash equivalents.

The Group's objectives when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group has funded its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity and debt financing. None of the outstanding debt is subject to externally imposed capital requirements.

Financing decisions are made by management and the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management. There have not been any changes in the Group's approach capital risk management during the year.

The Group's capital structure is summarised in the table below:

	2023	2022
Total financial liabilities - borrowings (note 12)	-	2,510
Deferred revenue	14	5,194
Less: cash and cash equivalents	(7,216)	(14,538)
<b>Net cash</b>	<b>(7,202)</b>	<b>(6,834)</b>
Total equity	42,192	35,116
<b>Total equity and borrowings, net of cash and cash equivalents</b>	<b>34,990</b>	<b>28,282</b>

Note 1 - refer to note 1 to consolidated financial statements.

The Group regularly assesses whether projected cash flows are sufficient to service its borrowings and support ongoing operations. Consideration is given to reducing borrowings or raising funds through an alternative route such as the issuing of equity.

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### 4 Critical judgments and accounting estimates

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Accordingly, the impact of these estimates, assumptions and judgments on the consolidated financial statements in future periods could be material. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

#### *Critical accounting estimates and assumptions*

The significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are summarised as follows:

#### *Recoverability of asset carrying values*

The Group assesses its property, plant and equipment and intangible exploration and evaluation assets, for possible indicators of impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Group's business plans, market capitalisation, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

If there are low oil prices or natural gas prices during an extended period, the Group may need to recognise significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, the higher of fair value less cost of disposal ("FVLCD") or value-in-use ("VIU"). Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil and natural gas, exchange rates and future development costs.

#### *CGU Identification*

A cash generating unit ("CGU") is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors its operations. The Group's CGUs correspond to its separate subsoil use contracts.

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

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### *Oil and gas reserves*

Proved and probable oil and gas reserves are used in the units of production calculation for depletion as well as the determination of the timing of well closure costs and impairment analysis. There are numerous uncertainties inherent in estimating oil and gas reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being changed.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Asset retirement obligation*

Provisions for environmental clean-up and remediation costs associated with the Group's drilling operations are based on current legal or constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, prices, discovery and analysis of site conditions and changes in clean-up technology.

### *Income taxes*

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for tax assessments based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### *Other significant areas of judgment*

The significant areas of critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are summarised as follows:

#### *Going concern*

The Board has considered the Group's current activities, funding position and projected funding requirements from the reporting date, in determining the ability of the Group to adopt the going concern basis in preparing the consolidated financial statements for the year ended December 31, 2023. The assessment of the Group's ability to execute its strategy to meet its future funding requirements involves judgment.

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

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### *Functional currency*

The Group has foreign operations, principally in Kazakhstan. Significant judgment is required in determining the functional currency of those operations with consideration given to the currency of the primary economic environment in which it operates. This includes assessing inter alia the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labour, material and other costs of providing goods. A number of secondary factors are also taken into account. The functional currency of the Company and foreign operations is the United States dollar (\$). Refer to note 19 for information about changes to the Kazakhstan subsidiaries functional currency after the end of the reporting period.

### *De-recognition of assets and liabilities on loss of control of subsidiaries*

Where subsidiaries have been struck off or dissolved and the Company loses control of those subsidiaries their assets and liabilities and the related non-controlling interest are de-recognised in the consolidated financial statements. It is possible that where a subsidiary is terminated in this way that, for a period of years after the strike-off, creditors, shareholders or other claimants can revive the struck-off company by applying to the courts to obtain satisfaction of their claims. A creditor could attempt to hold the Company responsible for a subsidiary's obligations and request a court lift or pierce the corporate veil. Significant judgment is required to assess whether the Company has lost control of a subsidiary and should de-consolidate its assets and liabilities and whether there are any facts or circumstances, for example the existence of any guarantees, that result in the Company being responsible for the obligations of its subsidiaries.

### *Under-fulfilment of Work Program Commitments*

The Group has annual work program commitments under its exploration and production contracts where non-compliance or under-fulfilment of financial obligations carries the risk of penalties and in some instances cancellation of the contract and forfeiture of licences. The Group has not met all of its obligations under some of its exploration and production contracts in more than one year leading to the imposition of penalties but has not had any of its contracts cancelled. Significant judgment is required in determining whether the likelihood of exploration and production contracts being retained and/or extended at the end of contract terms in instances where not all obligations have been fulfilled and whether there has been any impairment to the related oil and gas assets.

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## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 5 Segmental Reporting

#### Geographical segments

The following is an analysis of the Group's revenue, results and assets by reportable segment:

2023	Kazakhstan	Corporate	Total
Oil sales	34,259	-	34,259
Gas sales	2,209	-	2,209
Other revenue	11	-	11
<b>Segment revenue</b>	<b>36,479</b>	<b>-</b>	<b>36,479</b>
<b>Profit/(loss) before taxation</b>	<b>20,272</b>	<b>(1,822)</b>	<b>18,450</b>
Taxation	(7,837)	(877)	(8,714)
<b>Profit for the year</b>	<b>12,435</b>	<b>(2,699)</b>	<b>9,736</b>
Total assets <sup>1</sup>	85,172	91,479	85,331
Total liabilities <sup>1</sup>	130,984	3,475	43,139
Expenditure on exploration & evaluation assets, property, plant and equipment	12,068	-	12,068
Depreciation, depletion & amortisation	4,270	-	4,270
Finance (income)/costs	(367)	614	247

Note 1 – Total is after elimination of inter-segment items of \$91,320.

In 2023, oil sales were made to three customers in Kazakhstan representing individually more than 10% of segment revenue and collectively representing 65% of segment revenue. All gas sales are to the State gas company QazaqGaz. The amount shown in the table above represents as adjustment to the estimated revenue amount earned for gas delivered in 2022.

2022	Kazakhstan	Corporate	Total
Oil sales	60,402	-	60,402
Gas sales	5,079	-	5,079
Other revenue	11	-	11
<b>Segment revenue</b>	<b>65,492</b>	<b>-</b>	<b>65,492</b>
<b>Profit/(loss) before taxation</b>	<b>44,326</b>	<b>(3,009)</b>	<b>41,317</b>
Taxation	(28,680)	(337)	(29,017)
<b>Profit/(loss) for the year</b>	<b>15,646</b>	<b>(3,346)</b>	<b>12,300</b>
Total assets <sup>1</sup>	86,167	88,966	87,266
Total liabilities <sup>1</sup>	134,687	5,330	52,150
Expenditure on exploration & evaluation assets, property, plant and equipment	22,977	-	22,977
Depreciation, depletion & amortisation	7,614	-	7,614
Finance (income)/costs	(400)	1,358	958

Note 1 – Total is after elimination of inter-segment items of \$87,867.

In 2022, gas sales were made to one customer in Kazakhstan representing 8% of segment revenue. At December 31, 2022 an amount of \$4.8 million, net of allowance for expected credit losses, was due from this customer. Oil sales were made to three customers in Kazakhstan one of which represented 89% of segment revenue. At December 31, 2022 an amount of \$5.2 million had been paid in advance, refer to note 6 for further details.

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 6 Sales revenues, deferred revenue and production expenses

#### 6.1 Sales revenues

	2023	2022
<i>Kazakhstan:</i>		
Oil sales	34,259	60,402
Gas sales	2,209	5,079
Other revenue	11	11
<b>Revenue</b>	<b>36,479</b>	<b>65,492</b>

Oil sales revenues were lower in 2023 due to lower production volumes and lower average price received. Gas revenues in 2023 represent an adjustment to the estimated sales price for gas delivered in 2022. There were minimal deliveries of gas in 2023 as the gas fields were closed due to the price dispute with QazaqGaz.

#### 6.2 Contract liabilities - deferred revenue

	2023	2022
<i>Kazakhstan:</i>		
Oil sales	14	5,194
<b>Deferred revenue</b>	<b>14</b>	<b>5,194</b>

The movement in deferred revenue was as shown in the following table.

	2023	2022
At January 1	5,194	14,282
Payments received	33,095	51,646
Recognised in profit or loss	(38,275)	(60,734)
<b>Deferred revenue</b>	<b>14</b>	<b>5,194</b>

The Group receives payments in advance from customers for future deliveries of crude oil. These amounts are recognised as revenue when control of the crude oil is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the crude oil.



# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 6.3 Production expenses

Direct production expenses were as shown in the following table.

	2023	2022
<i>Kazakhstan oil production:</i>		
Staff costs	1,837	1,697
Taxes & other mandatory payments	991	2,274
Transportation & travel	481	117
Materials & diesel	380	311
Health & safety, blowout prevention	297	318
Camp services	254	198
Contractors	134	131
Repairs & maintenance	12	15
Other	71	60
<b>Oil production expenses</b>	<b>4,457</b>	<b>5,121</b>
<i>Kazakhstan gas production:</i>		
Staff costs	530	854
Health & safety, blowout prevention	327	116
Contractors & security	306	333
Materials & diesel	196	292
Repairs & maintenance	103	41
Camp services	52	-
Taxes & other mandatory payments	51	155
Transportation	27	51
Other	33	72
<b>Gas production expenses</b>	<b>1,624</b>	<b>1,914</b>
<b>Total production expenses</b>	<b>6,081</b>	<b>7,035</b>

Total cost of production including depreciation, depletion, amortisation & impairment and share of administrative expenses were as shown the following table.

	2023	2022
<i>Kazakhstan oil production:</i>		
Oil production expenses	4,457	5,121
Depreciation, depletion, amortisation & impairment	4,264	7,654
Administrative expenses	3,297	1,685
<b>Total cost of oil production</b>	<b>12,018</b>	<b>14,460</b>
<i>Kazakhstan gas production:</i>		
Gas production expenses	1,624	1,914
Depreciation, depletion, amortisation & impairment	1,726	1,777
Administrative expenses	1,099	1,685
<b>Total cost of gas production</b>	<b>4,449</b>	<b>5,376</b>
<b>Total cost of production</b>	<b>16,467</b>	<b>19,836</b>

There was minimal gas production in 2023 because the gas fields were closed as a result of the price and payment dispute with customer QazaqGaz. Oil production ceased on October 16, 2023 at the end of the exploration contract period. Costs continued to be incurred during these idle periods such as staff costs and mandatory costs, albeit costs were at a lower level than when production was ongoing.

# Tethys Petroleum Limited

## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

(tabular amounts in thousands of US dollars, except where otherwise noted)

### 7 Administrative expenses

Administrative expense by nature	2023	2022
Staff and director costs	4,011	2,720
Professional fees	567	1,198
Other administrative expenses <sup>1</sup>	776	933
<b>Total</b>	<b>5,354</b>	<b>4,851</b>

Note 1 – includes travel, office, regulatory, insurance, vehicle, investor relations, socio-economic program contributions and bank charges.

The increase in staff and director costs in 2023 was mainly due to increases in Kazakhstan staff costs from salary increases, bonuses and increases in personnel as the Group increased the scale and scope of its oil & gas exploration and production activities.

### 8 Taxation

Tethys is domiciled in the Cayman Islands which has no corporate income tax. The Group also operates in other tax jurisdictions, the most significant of which is Kazakhstan. Taxation of corporate profits in Kazakhstan comprises Corporate Income Tax (CIT) at 20% and Excess Profits Tax (EPT) which applies at graduated rates on profits earned above certain profit thresholds. The provision for income taxes is different from the expected provision for income taxes for the following reasons:

	2023	2022
Profit before income taxes	18,450	41,317
Income tax rate	20%	20%
<b>Income tax expense</b>	<b>(3,690)</b>	<b>(8,263)</b>
Decrease resulting from:		
Non-deductible expenses	(823)	(652)
Revisions in tax estimates and foreign exchange impact on tax pools	(498)	(368)
Adjustment of excess profit tax expense for the previous year	332	-
Adjustment of deferred tax expense for the previous year	12	-
Excess profits tax	-	(5,212)
Impact of effective tax rates in other foreign jurisdictions	2,947	1,624
Statutory rate versus deferred income tax rate on timing differences	(2,374)	(12,473)
Losses and tax assets not utilised/recognised	(4,620)	(3,673)
	<b>(8,714)</b>	<b>(29,017)</b>
Current tax expense	(5,201)	(3,962)
Adjustment of excess profit tax expense for the previous year	332	-
Adjustment of deferred tax expense for the previous year	12	-
Current tax expense, excess profits tax	-	(5,212)
Deferred tax expense	(3,857)	(19,843)
<b>Total</b>	<b>(8,714)</b>	<b>(29,017)</b>

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## Notes to Consolidated Financial Statements

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The temporary differences comprising the deferred income tax liability are as follows:

	2023	2022
Capital assets	27,298	25,087
Estimated reserve on withholding taxes on distributions from subsidiaries	6,658	5,012
Other	-	12
<b>Deferred tax liability</b>	<b>33,956</b>	<b>30,111</b>

With the progress made in the development of the Group's oil and gas fields the Group expects to earn taxable profits upon which both CIT and EPT will be due. The Group's deferred tax liabilities have been measured using the average CIT and EPT rate expected to apply in the periods the deferred tax balances will reverse. The Group's deferred tax liability mainly arises from the different treatment of fixed asset capital allowances for tax purposes and depletion of oil & gas assets for accounting purposes. In addition, the deferred tax liability includes a withholding tax liability of \$6.7 million (2022: \$5.0 million) that may become payable on the remittance of amounts owed by subsidiaries.

The movement in deferred income tax liability in each year was as follows:

	2023	2022
Deferred tax liability at January 1	30,111	10,499
Recognised in profit or loss	3,845	19,843
Withholding taxes paid	-	(231)
<b>Deferred tax liability</b>	<b>33,956</b>	<b>30,111</b>

## 9 Earnings per share

	Units	2023	2022
Profit for the purpose of basic and diluted earnings attributable to ordinary shareholders	\$'000	9,736	12,300
Weighted average shares – basic	000s	115,177	109,096
Per share amount – basic	\$	0.08	0.11
Weighted average shares –diluted	000s	117,378	122,853
Per share amount –diluted	\$	0.08	0.10

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.

The difference in weighted average shares used in the basic and diluted earnings per share calculations was due to the shares potentially issuable upon conversion of the Gemini debenture which was repaid in April 2023. In 2023 there were 1,802,188 (2022: 1,802,188) employee share options that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the years presented.

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## Notes to Consolidated Financial Statements

For the year ended December 31, 2023

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### 10 Property, plant and equipment

	Oil and gas properties <sup>1</sup>			Assets in the course of construction		Other fixed assets <sup>2</sup>			Total net book amount
	Cost	Amortisation	Total	Cost	Total	Cost	Depreciation	Total	
January 1, 2022	83,538	(56,846)	26,692	33,116	33,116	1,329	(1,090)	239	60,047
Additions/transfers	12,033	-	12,033	(586)	(586)	456	-	456	11,903
Disposals	-	-	-	-	-	(205)	116	(89)	(89)
Depletion and depreciation	-	(7,476)	(7,476)	-	-	-	(138)	(138)	(7,614)
Impairment	-	-	-	(1,817)	(1,817)	-	-	-	(1,817)
<b>December 31, 2022</b>	<b>95,571</b>	<b>(64,322)</b>	<b>31,249</b>	<b>30,713</b>	<b>30,713</b>	<b>1,580</b>	<b>(1,112)</b>	<b>468</b>	<b>62,430</b>
January 1, 2023	95,571	(64,322)	31,249	30,713	30,713	1,580	(1,112)	468	62,430
Additions/transfers	6,929	-	6,929	6,406	6,406	805	-	805	14,140
Disposals	(568)	568	-	-	-	(118)	118	-	-
Depletion and depreciation	-	(4,183)	(4,183)	-	-	-	(87)	(87)	(4,270)
Impairment	-	(1,720)	(1,720)	-	-	-	-	-	(1,720)
<b>December 31, 2023</b>	<b>101,932</b>	<b>(69,657)</b>	<b>32,275</b>	<b>37,119</b>	<b>37,119</b>	<b>2,267</b>	<b>(1,081)</b>	<b>1,186</b>	<b>70,580</b>

Note 1 – certain gas transportation assets owned by the Group are the subject of pledges under previous finance arrangements, refer note 18.

Note 2 – consists of oil& gas equipment, vehicles, computer and office equipment.

#### Oil and gas properties – impairment assessment

As of December 31, 2023, the Group performed an assessment for impairment on the carrying value of its oil and gas assets. The Group's Cash Generating Units ("CGU"), were tested for impairment at that date. The recoverable amount was determined using the higher of Fair Value Less Cost of Disposal ("FVLCD") or Value in Use. Based on the impairment test performed, the recoverable amount of the CGUs was higher than their carrying values except for the Akkulka Gas CGU where an impairment of \$1.7 million has been recognised.

The FVLCD was calculated using a discounted cash flow model based on the proved plus probable reserves using forecast crude oil and natural gas prices and an after-tax discount rate of 17.1% (2022: 18.4%). The cash flow model used is considered a Level 3 fair value technique based on the unobservable inputs used. The FVLCD of the Group's CGUs at December 31, 2023 was not sensitive to a reasonably possible change in the discount rate.

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The FVLCD calculation assumes forecast crude oil and natural gas sales prices in \$/bbl and \$/Mcf, which are the December 31, 2023 price forecasts made by the Group's independent reserve evaluator, McDaniel Associates, as shown in the table below.

	Brent Crude Oil Price (\$/bbl)	Export Crude Oil Price (\$/bbl)	Domestic Crude Oil Price (\$/bbl)	Domestic Natural Gas Price (\$/Mcf)	Inflation rate %/year
<b>Forecast</b>					
2024	77.00	54.58	30.80	2.63	2.0
2025	78.03	55.61	31.21	2.69	2.0
2026	79.59	57.17	31.84	2.74	2.0
2027	81.18	58.14	32.47	2.79	2.0
2028	82.81	59.76	33.12	2.85	2.0
2029	84.46	61.42	33.78	2.91	2.0
2030	86.15	62.48	34.46	2.97	2.0
2031	87.87	64.20	35.15	3.02	2.0
2032	89.63	65.96	35.85	3.09	2.0
2033	91.42	67.12	36.57	3.15	2.0
2034	93.25	68.95	37.30	3.21	2.0
2035	95.12	70.19	38.05	3.27	2.0
2036	97.02	72.09	38.81	3.34	2.0
2037	98.96	74.03	39.58	3.41	2.0
2038	100.94	75.38	40.38	3.47	2.0
2039	102.96	77.40	41.18	3.54	2.0
2040	105.02	77.58	42.01	3.62	2.0
2041	107.12	79.68	42.85	3.69	2.0
2042	109.26	81.82	43.70	3.76	2.0
2043	111.45	84.00	44.58	3.84	2.0

## 11. Trade and other receivables and joint arrangements

### 11.1 Trade and other receivables

	2023	2022
<b>Current</b>		
Trade receivables, gross	2,962	10,983
Trade receivable, allowance for expected credit losses	-	(6,225)
Prepayments	9	1,040
Other receivables	365	605
VAT and other taxes	1,344	2,573
	<b>4,680</b>	<b>8,976</b>
<b>Non-current</b>		
Prepayments	1,086	-
	<b>1,086</b>	-

Current trade and other receivables are unsecured and non-interest bearing. Normal payment terms for the Group are 30 days. At December 31, 2023, trade receivables amounted to \$3.0 million (2022: \$11.0 million) representing amounts receivable to a state-owned gas enterprise for the period January to December 2023. An allowance for expected credit losses of \$nil (2022: \$6.2 million) has been recognised in these accounts

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based on the price formula proposed by the gas company although this has not been agreed by Tethys and is still the subject of negotiation with the gas customer QazaqGaz.

The other classes within trade and other receivables do not contain impaired assets.

Non-current prepayments are advances made to suppliers and contractors for equipment and facilities construction.

### 11.2 Joint arrangements

#### *Aral Oil Terminal (Kazakhstan)*

On February 16, 2011, the Group signed a joint venture agreement with Olisol Investments Limited (“Olisol”) to construct and operate a rail oil loading terminal in Kazakhstan through a separate jointly controlled legal entity, Aral Oil Terminal LLP (“AOT”). The Group has a 50% interest in the AOT. The Group has classified the arrangement as a joint venture and it is accounted for using the equity method of accounting. At December 31, 2023, the carrying value of the Group’s investment in the joint venture was \$nil (2022: \$nil) and the carrying value of loans made to the joint venture was also \$nil (2022: \$nil) after full impairment in prior years.

## 12 Financial liabilities

### 12.1 Borrowings, Gemini convertible debenture

The remaining Gemini debenture was repaid in April 2023. An amount of \$1,139,000 classified in the Consolidated Statements of Changes in Equity as a compound instrument was reversed upon the repayment of the debenture when the option to convert the debenture into shares of the Company lapsed.

### 12.2 Finance costs, net

The net finance cost comprises:

	2023	2022
Finance costs – borrowings	615	1,357
Finance costs – unwinding of discount on asset retirement obligation	237	228
Finance costs– unwinding of discount on historical costs liability	131	-
Finance income	(736)	(627)
<b>Total</b>	<b>247</b>	<b>958</b>

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## Notes to Consolidated Financial Statements

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### 13 Trade and other payables

	2023	2022
<b>Current</b>		
Trade payables	1,986	1,113
Accruals	815	1,508
Other payables	1,970	3,983
	<b>4,771</b>	<b>6,604</b>
<b>Non-current</b>		
Other payables	1,894	-
	<b>1,894</b>	-

Trade payables are non-interest bearing and are normally settled on contractual terms which typically range from due on presentation of invoice to 30 days. Due to the Group's uneven receipts for oil and gas payments in 2023 and 2022 supplier payments were made on average later than the contractual payment terms.

Non-current other payables are historical costs payable to the government over 10 years from the date of approval of reserves of Kul-Bas in April 2023. The total amount payable is \$3.2 million and has been discounted at 9.4% representing the rate of return on Republic of Kazakhstan government securities with a similar term to the payment obligation, refer also to note 18. Historical costs payable within one year of \$0.3 million are included within current other payables

### 14 Provisions

	2023	2022
<i>Asset retirement obligations:</i>		
Balance, beginning of year	2,377	2,211
Additions/change in estimated liability	(200)	(62)
Unwinding of discount	237	228
<b>Balance, end of year</b>	<b>2,414</b>	<b>2,377</b>

The Group makes provision for the future cost of decommissioning oil and gas production facilities and pipelines on a discounted basis. These costs are expected to be incurred between 2024 and 2029 and on average have been estimated to cost \$37,000 per well (2022: \$38,000). The provision has been estimated using existing technology at current prices, escalated at 7.4% (2022: 5.4%) and discounted at rates between 9.4% and 9.7% (2022: 11.2%) representing the rates of return on Republic of Kazakhstan government securities with a similar term to the asset retirement obligations. The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity prices and the future production profiles of the projects. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures in the cost of third-party service provision. The undiscounted amount of the liability at December 31, 2023 is \$3.6 million (2022: \$2.9 million).

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## Notes to Consolidated Financial Statements

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### 15 Capital and reserves

#### Share capital and share premium

				Number of shares	
<b>Authorised as at December 31, 2022 and December 31, 2023:</b>					
Ordinary shares with a par value of \$0.10 each				145,000,000	
Preference shares with a par value of \$0.01 each				50,000,000	
<b>Ordinary equity share capital</b>					
	Date	Number of shares issued	Number of treasury shares	Share Capital	Share Premium
At January 1, 2022		107,548,114	-	10,755	371,955
Annuity and Life Reassurance Ltd	26 October 2022	8,559,119	-	856	1,797
Dividend	10 November 2022	-	-	-	(1,741)
Shares re-purchased	Various	-	1,009,740	-	-
<b>At December 31, 2022</b>		<b>116,107,233</b>	<b>1,009,740</b>	<b>11,611</b>	<b>372,011</b>
Shares cancelled	8 February 2023	(1,032,220)	(1,032,220)	(104)	(565)
Dividend	9 February 2023	-	-	-	(2,621)
Shares re-purchased	Various	-	240,245	-	-
<b>At December 31, 2023</b>		<b>115,075,013</b>	<b>217,765</b>	<b>11,507</b>	<b>368,825</b>

The Company authorised and paid a dividend of 3 CAD cents per share (2022: 2 CAD cents). The record date was January 26, 2023 and the payment date was February 9, 2023. Whilst the Group has profits for the year, the Company did not and accordingly the dividend has been treated as paid from share premium.

On February 9, 2023 the Company announced that it intended to make another normal course issuer bid, subject to exchange approval. The Company was authorized to acquire up to 5,805,361 ordinary shares (roughly 5% of the shares outstanding of the Company) during the period on or about February 10, 2023 to February 10, 2024. The Company uses ATB Capital Markets as its member broker to conduct the purchases. Purchases are made through the facilities of the TSX Venture Exchange. Purchase and payment for the securities are made by the Company in accordance with exchange requirements. The price which the Company pays is the market price at the time of acquisition. The Group believes the shares are undervalued and any repurchases will provide a positive return on investment and enhance shareholder value. The securities being bought are to be cancelled and returned to the treasury.

During the year the Company repurchased 240,245 of its own shares (2022: 1,009,740 shares) and cancelled 1,032,220 shares (2022: nil).

#### Preference shares

The preference shares, none of which have been issued, have the rights as set out in the Memorandum and Articles of Association approved at the AGM on April 24, 2008. Significant terms related to preference shares are summarised below:



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- May be issued in one or more series;
- Are entitled to any dividends in priority to the ordinary shares;
- Confer upon the holders thereof rights in a winding-up priority to the ordinary shares;
- And may have such other rights, privileges and conditions (including voting rights) as the Board may determine prior to the first allotment of any series of preference shares, provided that if a series of preference shares has no or limited voting rights it shall be designated as such by the Board.

### Other reserves

Other reserves comprise of option reserves and warrant reserves as set out in the Statement of Changes in Equity. The option and warrant reserves relate to stock options issued to employees under the stock option plan and issuance of warrants, details of which are disclosed below.

### Share options

Under the option plan approved by shareholders at the Company's Annual General Meeting on September 16, 2022, the Company may grant stock options to any director, employee or consultant of the Company. The options granted under the stock option plan vest in three tranches with one third vesting after one year, one third after two years and one third after three years. The options with GBP0.25 exercise price granted under the previous stock option plan vest in certain limited circumstances, such as a change of control. The options are equity-settled share-based payment transactions.

The following table lists the options outstanding at December 31, 2023 by exercise price:

Exercise price		Outstanding No of options	Weighted average remaining term (in years)	Exercisable	
Local	\$ equivalent			No of options	Weighted average remaining term (in years)
CAD1.00	0.78	525,000	2.84	-	-
GBP0.25	0.34	1,277,188	2.25	-	-

The following table summarises the activity under the stock option plan.

	2023		2022	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Allotted at January 1	1,802,188	0.43	1,877,188	0.49
Granted	-	-	175,000	0.74
Forfeited	-	-	(250,000)	0.74
Allotted at December 31	1,802,188	0.43	1,802,188	0.43
Exercisable at December 31	166,667	0.74	166,667	0.74

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The fair value of the share-based payment grants was estimated using the Black-Scholes pricing model using the following average assumptions:

	2023	2022
Weighted average fair value	n/a	\$0.50
Risk free rate pa	3.24%	2.75%
Expected term	3.5 years	3.5 years
Volatility	110%	236%
Dividend	Nil	Nil
Forfeiture rate pa	5%	5%
Weighted average share price of options exercised in year	n/a	n/a

In estimating expected volatility, the Company considers the historical volatility of its own share price over the most recent period that is commensurate with the expected option term.

A share-based payments expense of \$95,000 was recognised during the year (2022: \$188,000).

### Dividends

On January 18, 2023, the Company announced the approval of a quarterly dividend of 3 CAD cents per ordinary share with a record date of January 26, 2023 and payment date of February 9, 2023. The total amount of dividends paid was \$2.6 million.

On October 26, 2022, the Company announced a dividend of 2 CAD cents per share with a record date of November 2, 2022 and payment date of November 10, 2022. The total dividend paid amounted to \$1.7 million (2022: nil).

## 16 Related party transactions

A list of the investments in subsidiaries as at December 31, 2023 and 2022, including the name, proportion of ownership interest, nature of business, country of operation and country of registration, is given below.

	Percentage	Nature of business	Country of registration	Country of operation
<b>Subsidiaries</b>				
Tethys Kazakhstan SA	100%	Holding company	Belgium	Belgium
Transcontinental Oil Transportation srl	100%	Holding company	Belgium	Belgium
Tethyda Limited	100%	Group financing	Cyprus	Cyprus
TPL Holdings Limited	100%	Inactive	Cyprus	Cyprus
DMS Services LLP	100%	Oil & gas E&P	Kazakhstan	Kazakhstan
Tethys Aral Gas LLP	100%	Oil & gas E&P	Kazakhstan	Kazakhstan
Kul-Bas LLP	100%	Oil & gas E&P	Kazakhstan	Kazakhstan
Tethys Services Kazakhstan LLP	100%	Inactive	Kazakhstan	Kazakhstan
<b>Jointly controlled entities</b>				
Aral Oil Terminal	50%	Oil terminal (non-operating)	Kazakhstan	Kazakhstan

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Transactions between the Company's subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### *Gemini IT Consultants DMCC*

Gemini IT Consultants DMCC ("Gemini") owned approximately 7% of the Company's ordinary shares at December 31, 2023. Gemini was the holder of a convertible debenture issued by the Company which was repaid in April 2023, details of which are given in note 12.

### *Pope Asset Management and Annuity and Life Reassurance Ltd*

Pope Asset Management ("PAM") is a Registered Investment Advisor managed by William P. Wells (Executive Chairman of Tethys). PAM clients own approximately 37.7% of the Company's ordinary shares at December 31, 2023. During the prior year, an affiliated company of PAM, Annuity and Life Reassurance Ltd., converted its 50% interest in the Gemini convertible debenture.

### *Remuneration of key management personnel*

Key management personnel have been identified as the CEO, CFO and the Non-Executive Directors who have served during the year. The remuneration of the key management personnel of the Group is set out below in aggregate.

	2023	2022
Salaries and short-term employee benefits	476	425
Share options	20	133
<b>Total</b>	<b>496</b>	<b>558</b>

Information on share options granted during the period is given in note 15.

### *Ultimate controlling party*

In the current and prior year there was no ultimate controlling party of the Group.

## 17 Cash and cash equivalents and notes to the Consolidated Statements of Cash Flows

### 17.1 Cash and cash equivalents

	2023	2022
Cash in bank deposit accounts	5,305	5,617
Cash in bank current accounts	128	223
Cash in money market funds	1,783	8,705
Less: provision for expected credit losses	-	(7)
<b>Total cash and cash equivalents</b>	<b>7,216</b>	<b>14,538</b>

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## Notes to Consolidated Financial Statements

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As at December 31, 2023 cash in bank overnight accounts were held at Forte Bank JSC and Halyk Bank JSC with annual interest rates of between 15-16%. Refer also to note 3. For the year ended 31 December 2023 interest on savings and current account balances was equal to \$0.7 million (2022: \$0.6 million).

### 17.2 Changes in working capital

	2023	2022
Trade and other receivables	2,908	(5,065)
Inventories	79	(275)
Trade and other payables	(3,204)	(9,365)
Deferred revenue	(5,180)	(9,088)
Change in working capital	<b>(5,397)</b>	<b>(23,793)</b>
Non-cash transactions	-	<b>1,223</b>
<b>Net changes in working capital</b>	<b>(5,397)</b>	<b>(22,570)</b>

### 17.3 Non-cash transactions

Investing transactions that did not require the use of cash or cash equivalents and which have been excluded from the statement of cash flows include \$3,409 relating to the acquisition of property, plant and equipment including \$2,038 relating to the recognition of historical cost liabilities and \$1,371 relating to working capital movements.

### 17.4 Reconciliation of movements of financial liabilities to cash flows arising from financial activities

	Financial liabilities		Equity	Total
	Non-current borrowings	Current borrowings	Net interest	
At January 1, 2022	3,893	2,685	-	6,578
Repayment of borrowings	-	(2,772)	-	(2,772)
Net cash used in financing activities	-	(2,772)	-	(2,772)
Reclassification	(3,893)	3,893	-	-
Interest expense (note 12.2)	-	1,357	-	1,357
Equity related changes	-	(2,653)	-	(2,653)
At December 31, 2022 and January 1, 2023	-	2,510	-	2,510
Repayment of borrowings	-	(3,125)	-	(3,125)
Net cash used in financing activities	-	(3,125)	-	(3,125)
Interest expense (note 12.2)	-	615	-	615
At December 31, 2023	-	-	-	-

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## Notes to Consolidated Financial Statements

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### 18 Contingencies and commitments

#### *Litigation, claims and assessments*

The Group is involved in claims and actions arising in the course of the Group's operations and is subject to various legal actions and exposures, including potential environmental claims and tax positions taken by the Group. Although the outcome of these claims cannot be predicted with certainty, the Group does not expect these matters to have a material adverse effect on the Group's financial position, cash flows or results of operations. If an unfavourable outcome were to occur, there exists the possibility of a material adverse impact on the Group's consolidated net earnings or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognised if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group's view, some of these positions, including uncertain tax positions, if challenged may not be fully sustained on review.

#### *Kazakhstan*

The regulatory environment including tax environment in the Republic of Kazakhstan is subject to change and inconsistent application, interpretations and enforcement, and in particular, existing subsoil use contracts are under close scrutiny by the tax and other authorities. This could result in unfavourable changes to the Group's tax positions. Non-compliance with Kazakhstan law and regulations as interpreted by the Kazakhstan authorities may lead to the assessment of additional taxes, penalties and interest. Kazakhstan tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Tax periods remain open to retroactive review by the tax authorities for five years. Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained.

#### *Exploration and production contract work programs*

Work programs for exploration and production contracts include a required level of "Investments" as defined in the contracts. "Investments" includes capital expenditure, operating expenses, social sphere, sub-soil monitoring and specialist training costs. It is this required level of Investments that forms the principal financial obligation of the Group in respect of its work program commitments and against which the Group is mainly measured along with production volumes in the production contracts.

Failure by the Group to meet the required level of financial obligations in any given year results in a financial penalty for that year of up to 10% of the amount by which actual performance falls short of the required level. Repeated non-compliances by a license holder could result in a license being terminated, unless the non-compliances have been remedied by the license holder or waived by the licensing authority. At the date of this report the Group had not received any notifications of actual or threatened termination of any of the Group's licenses.

In addition, an assumed level of other costs forms part of the overall work program (insurance, liquidation fund, indirect costs and taxes). Taken together with the Investments amount described above these form the Group's "Financial obligations, total" as defined in the contracts and as set out in the table below. The work program commitments in Kazakhstan can be summarised as follows:

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	Kazakhstan Work Program Commitments			
	Expiry date	Program 2023	Spend during 2023	Program 2024 & later
<b>Akkulka Production Contract (Gas)</b>	2026			
Financial obligations		1,150	1,871	2,742
Investments		382	324	-
<b>Kyzyloi Production Contract (Gas)</b>	2029			
Financial obligations		6,375	5,734	19,811
Investments		3,692	1,545	-
<b>Akkulka Exploration Contract (Oil)</b>	2023			
Financial obligations		-	84	438
Investments		-	39	-
<b>Kul-Bas Exploration Contract</b>	2023			
Financial obligations		17,169	24,329	-
Investments		6,704	11,405	-
<b>Exploration blocks</b>	2027			
Financial obligations		-	-	17,000
<b>Total</b>				
<b>Financial obligations</b>		<b>24,694</b>	<b>32,018</b>	<b>39,991</b>
<b>Investments (part of financial obligations)</b>		<b>10,778</b>	<b>13,313</b>	<b>-</b>

The amounts shown in the table above under 'Spend to date' have been incurred in 2023 and, as noted above, include a mixture of capital expenditure, operating expenses, social sphere payments, sub-soil monitoring and specialist training costs, insurance costs, liquidation fund payments, indirect costs and taxes as specified in the respective exploration and production contracts. Such amounts have been recognised in these financial statements in either the Consolidated Statements of Profit and Comprehensive Income, Consolidated Statement of Financial Position or Consolidated Statement of Cash Flows in accordance with the Group's respective accounting policies. Amounts shown in the table above under 'Program 2024 & later' have generally not been incurred as they are in the nature of future contractual commitments and so have not been recognised in these financial statements.

Apart from the Group's work program commitments, other amounts may become payable in certain circumstances as described below.

### *Historical cost obligations*

In the event of an official confirmation of reserves by the Kazakhstan Ministry of Energy, which is a requirement for a commercial production license, the Group would be required to pay for historical costs of up to \$2.7 million in the case of the Akkulka Exploration License.

Historical costs for the Kul-Bas license are payable to the government over 10 years from the date of approval of reserves of Kul-Bas in April 2023. The total amount payable is \$3.2 million discounted at 9.4%, representing the rate of return on Republic of Kazakhstan government securities with a similar term to the payment obligation, has been recorded as a liability of the Group, refer to note 13.

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### *DSFK pledges and settlement agreement*

On February 8, 2021, the Group announced that it had reached a legally binding settlement agreement with Olistol Petroleum Limited, Eurasia Gas Group LLP ("EGG") and their principals and DSFK Special Finance Company ("DSFK"), (hereinafter the "Settlement Agreement").

Tethys subsidiary, TethysAralGas LLP ("TAG"), agreed to pay DSFK a settlement payment of KZT1,435 million (approximately \$3.4 million) to cancel and release TAG from all obligations under the pledge agreements under which TAG's gas transportation assets were pledged to DSFK.

On June 8, 2021, the Company announced that the Kazakhstan Supreme court had ratified the agreement effective May 26, 2021. TAG subsequently made the required financial payment of KZT1,435 million, equivalent to \$3.4 million, and the Company issued the 18 million shares necessary to fulfil the Group's obligations under the Settlement Agreement. At the date of approval of these Consolidated Financial Statements DSFK has not yet released TAG from all obligations under the pledge agreements under which TAG's gas transportation assets were pledged to DSFK.

On January 22, 2023, DSFK informed TAG that they will proceed to release the pledged assets only after EGG has fulfilled its obligations under the Settlement Agreement, otherwise DSFK will apply to court for a writ to enforce repayment of the debt owed by EGG and to foreclose on TAG's pledged assets. The Company has submitted an arbitration claim at the Astana International Financial Centre to enforce the Settlement Agreement and release the pledged assets and a hearing date has been set for October 2024.

### *Tajikistan*

In May 2016, the Group's former subsidiary Kulob Petroleum Limited ("Kulob") was notified by Total E&P Tajikistan B.V. ("Total") that it had been required to pay the equivalent of \$5.0 million to the tax authorities in Tajikistan in relation to the farm-out of part of the Group's interest to Total in 2013. Total was seeking to have Kulob indemnify it for these taxes under the terms of the farm-out agreement. Kulob disagreed with Total's interpretation of the farm-out agreement or that it is liable to indemnify Total for these taxes. No similar claim has been received from CNPC although the terms of the farm-out with CNPC were the same for Total and CNPC.

On December 30, 2017, the Group announced that Kulob had been notified of a final arbitration award in respect of Kulob's interest in the Bokhtar Production Sharing Contract and Joint Operating Agreement and Shareholders' Agreement with Total and CNPC Central Asia B.V. ("CNPC") pertaining to oil and gas exploration and production rights in Tajikistan.

The Arbitral Tribunal of the ICC (the "Tribunal") ordered, inter alia, that Kulob should pay Total and CNPC an amount of damages of approximately \$13.9 million.

Tethys does not expect the decisions of the Tribunal to have a significant effect on the results, cash flows or financial position of the Group since Tethys and its other subsidiaries were not a party to the arbitration, do not believe they are responsible for the obligations of Kulob and have not provided any guarantees on behalf of Kulob. Total and CNPC have asserted that Tethys Petroleum Limited should be responsible for Kulob's

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liabilities however Tethys does not believe there is any basis for this claim and no provisions has been made in these consolidated financial statements.

### 19 Events after the reporting period

The following subsequent events have been treated as non-adjusting as so have not been reflected in these consolidated financial statements, except where noted below.

- *Regulatory matters*

On April 5, 2024 the Group announced that it had received the permit from the Ministry of Ecology which will allow for test oil production from the KBD-10 and KBD-11 wells and regarding the commercial license, the Ministry of Energy has not yet issued the official minutes of the Working Group, and the Company is trying to determine the reason for the delay.

- *Gas dispute*

Also on April 5, 2024 the Group announced that it has been continuing to work on a resolution with QazaqGaz over the dispute on the payment of gas produced by the Group. We have been unable to come to an agreement and gas production has been shut down. Due to the shutdown of gas production, a significant number of employees may be forced to take a temporary furlough and are at risk of permanent dismissal. Sixteen employees have been put on furlough. In an effort to reduce the number of staff laid off, seventeen employees have been transferred from TethysAralGas to KulBas in order to assist with the oil production on KBD-10 and KBD-11.

- *Functional currency change*

Items included in the financial statements of all of the Company's subsidiaries have historically been measured in United States dollars (\$) which was considered the currency of the primary economic environment in which they operate ("the functional currency"). Subsequent to the end of the reporting period the Group reassessed the relevant factors and determined that it was appropriate to change the functional currency of its Kazakhstan subsidiaries from United States dollars to Kazakhstan tenge. In accordance with IFRS Accounting Standards, this change will be made prospectively from the date the change was made. The Group will continue to present its consolidated financial statements in United States dollars.