

Tethys Petroleum Limited

Condensed Consolidated Interim Financial Statements
(Unaudited)
March 31, 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4.3 (3) (a), if an auditor has not performed a review of the financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed consolidated interim financial statements of Tethys Petroleum Limited have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

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Responsibility Statement of the Directors in Respect of the Condensed Consolidated Interim Financial Statements

We confirm on behalf of the Board that to the best of our knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

We draw attention to the section entitled “Going Concern” in Note 1 to the condensed consolidated interim financial statements which describes the material uncertainties relating to the Company’s adoption of the going concern basis in preparing the condensed consolidated interim financial Statements for the period ended March 31, 2021.

For and on behalf of the Board

W. Wells
Chairman
May 13, 2021

A. Ogunsemi
Director
May 13, 2021

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(in thousands of US dollars)

	Note	31 March 2021	31 December 2020
<i>Non-current assets:</i>			
Property, plant and equipment		48,625	48,539
Restricted cash		69	71
Trade and other receivables		1,390	14
Total non-current assets		50,084	48,624
<i>Current assets:</i>			
Cash and cash equivalents		433	1,747
Trade and other receivables		1,919	3,106
Inventories		293	318
Restricted cash		22	22
Total current assets		2,667	5,193
Total assets		52,751	53,817
<i>Non-current liabilities:</i>			
Financial liabilities - borrowings		5,785	5,549
Deferred tax		4,817	4,612
Provisions		1,748	1,706
Total non-current liabilities		12,350	11,867
<i>Current liabilities:</i>			
Current taxation		579	541
Deferred revenue		5,887	8,137
Trade and other payables		9,108	8,352
Total current liabilities		15,574	17,030
Total liabilities		27,924	28,897
<i>Equity:</i>			
Share capital		10,495	10,495
Share premium		370,814	370,814
Other reserves		46,192	46,192
Accumulated deficit		(402,674)	(402,581)
Total equity		24,827	24,920
Total equity and liabilities		52,751	53,817
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The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were approved by the Board on May 13, 2021 and were signed on its behalf.

W. Wells
Chairman
May 13, 2021

A. Ogunsemi
Director
May 13, 2021

Tethys Petroleum Limited

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

	Note	Three months ended March 31	
		2021	2020
Sales revenues	3	2,384	3,501
Production expenses		(613)	(915)
Depreciation, depletion and amortisation		(749)	(1,141)
Impairment charges		-	(15,282)
Administrative expenses		(734)	(737)
Other gains and losses		-	8,303
Foreign exchange (loss)/gain		90	(101)
Finance costs		(265)	(1,250)
		(2,271)	(11,123)
Profit/(loss) before tax		113	(7,622)
Taxation		(206)	190
Loss and total comprehensive income		(93)	(7,432)
Loss per share:			
Basic and diluted (\$)	4	(0.00)	(0.09)

No dividends were paid or are declared for the period (2020: none).

The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

(in thousands of US dollars)

	Attributable to shareholders				Total equity
	Share capital	Share premium	Accumulated deficit	Other reserves	
At January 1, 2020	6,832	360,769	(365,703)	45,556	47,454
Comprehensive loss for the period	-	-	(7,432)	-	(7,432)
Compound instrument extinguished	-	-	1,643	(1,643)	-
Transactions with shareholders					
Shares issued	1,864	3,913	-	-	5,777
Total transactions with shareholders	1,864	3,913	-	-	5,777
At March 31, 2020	8,696	364,682	(371,492)	43,913	45,799
At January 1, 2021	10,495	370,814	(402,581)	46,192	24,920
Comprehensive loss for the period	-	-	(93)	-	(93)
At March 31, 2021	10,495	370,814	(402,674)	46,192	24,827

Other reserves include reserves arising on the issuance of options, warrants and compound instruments and are denoted together as “other reserves” on the condensed consolidated interim statement of financial position. These reserves are non-distributable.

The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(in thousands of US dollars)

	Three months ended March 31	
	2021	2020
Cash flow from operating activities		
Loss after tax	(93)	(7,432)
Adjustments for:		
Net finance cost	265	1,250
Depreciation, depletion and amortisation	749	1,141
Impairment charges	-	15,282
Other gains and losses	-	(8,303)
Taxation	206	(190)
Net change in working capital	(1,765)	5,578
Cash (used in)/generated from operating activities	(638)	7,326
Tax paid	(42)	(50)
Net cash (used in)/generated from operating activities	(680)	7,276
Cash flow from investing activities:		
Interest received	11	-
Expenditure on exploration and evaluation assets	-	(24)
Expenditure on property, plant and equipment	(836)	(141)
Movement in restricted cash	3	11
Net change in working capital	231	(116)
Net cash used in investing activities	(591)	(270)
Cash flow from financing activities:		
Repayment of borrowings	-	(3,000)
Net cash used in financing activities	-	(3,000)
Effects of exchange rate changes	(43)	(181)
Net (decrease)/increase in cash and cash equivalents	(1,314)	3,825
Cash and cash equivalents at beginning of the period	1,747	694
Cash and cash equivalents at end of the period	433	4,519

The notes on pages 6 to 9 form part of these condensed consolidated interim financial statements.

Tethys Petroleum Limited

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

1 General information and going concern

Tethys Petroleum Limited is incorporated in the Cayman Islands and the address of the Company's registered office is One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, 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").

Going concern

Management and the Board has considered the Company's current activities, funding position and projected funding requirements for the period of at least twelve months from the balance sheet date in determining the ability of the Company to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the three months ended March 31, 2021. The Company reported a loss of \$0.1 million for the period ended March 31, 2021 (year ended December 31, 2020: \$38.5 million loss) and an accumulated deficit as at that date of \$402.7 million (December 31, 2020: \$402.6 million) and negative working capital of \$12.9 million (December 31, 2019: negative \$11.8 million). In addition, the Company reported cash used in operating activities after tax paid of \$0.7 million for the period ended March 31, 2021 (year ended December 31, 2020: positive cash from operating activities of \$17.5 million).

The Company's financial position has improved as a result of the Company's loan obligations being restructured, repaid and/or converted into Tethys ordinary shares during the prior year. Borrowings have reduced from \$40.2 million at December 31, 2019 to \$5.8 million at March 31, 2021.

In addition, a settlement agreement was signed with Olisol Petroleum Limited ("Olisol") and DSFK Special Finance Company LLP ("DSFK") to resolve all disputed matters with those parties. In April 2020, the Company announced that it had completed the issuance of a \$4.8 million convertible debenture and received the proceeds which were used to make the settlement payment to DSFK, reduce debt and for general working capital purposes. An unsecured loan of \$2.5 million was received from the same lender in October 2020

A private placement of \$1.4 million was completed in April 2021. These proceeds will be used to fund previously incurred drilling expenses, 3D and 2D seismic expenses as well as general and administrative expenses.

Nevertheless, the Company may not have sufficient funding to fund its obligations for the next twelve months and may need to raise funds to meet any shortfall and to fund its planned capital expenditure program.

There are factors relating to the ongoing COVID-19 pandemic that could impact the business. Possible adverse effects from the Covid-19 pandemic could include lower oil & gas prices received by the Company due to lower demand for oil & gas, customers not paying for oil & gas delivered, planned oil & gas development activities becoming uneconomic due to lower prices, difficulty in obtaining future financing, failure of suppliers who are no longer able to supply goods and

Tethys Petroleum Limited

Notes to Condensed Consolidated Interim Financial Statements (unaudited) (continued)

(in thousands of US dollars)

services and employees becoming unavailable due to sickness or quarantine measures. However, the Company's oil & gas operations are in a remote region of Kazakhstan and the Company is taking precautions to prevent personnel from becoming infected and to identify infections at any early stage should they occur. The Company has not suffered any significant adverse effect from Covid-19 and, at this time, does not anticipate Covid-19 will have a material impact on the Company's operations over the next twelve months.

In order to support the Company's short term liquidity position and improve the Company's financial situation, we will need to:

- Obtain the necessary approvals to re-commence commercial oil production on KBD-02 ("Klymene") 2,750m exploration well;
- Secure funding required to meet capital expenditure plans to the extent that these cannot be funded from existing cash generation.
- Drill new oil & gas wells to increase production levels and revenues and in particular, further develop the Kul-bas exploration contract area which includes the successful KBD-02 exploration well.

The Company's ability to continue as a going concern is dependent upon its ability to secure and deliver the above-described additional funding required to meet its planned capital expenditure program including its contractual obligations, and ability to generate positive cash flows from operations. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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

2 Basis of preparation and accounting policies

The condensed consolidated interim financial statements of the Company are prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit and loss and are in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB and IFRIC interpretations issued by the IFRS Interpretations Committee and effective or issued and early adopted as at the time of preparing these condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as applicable to interim financial reporting and do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements reported for the year ended December 31, 2020.

The condensed consolidated interim financial statements are presented in United States Dollars (“\$”).

New accounting policies

There were no new and revised standards adopted by the Company during the three months ended March 31, 2021 that had an impact on the condensed consolidated interim financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are no significant new or amended standards that have been early adopted by the Company.

3 Segmental Reporting

Geographical segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Reports provided to the Board of Directors with respect to segment information are measured in a manner consistent with that of the condensed consolidated interim financial statements. The assets and liabilities are allocated based on the operations of the segment and for assets, the physical location of the asset.

The Board of Directors consider the business from predominantly a geographical perspective and the Company currently operates in two geographical markets: Kazakhstan and Rest of World (or Corporate).

In Kazakhstan, the Company is producing gas from the Kyzylai and Akkulka fields and expects to re-commence oil production from the Klymene field during 2021 after a mandatory shut-in period following successful testing of the well. The Company also operates a corporate segment which provides loan funding for development activities in Kazakhstan.

The following is an analysis of the Company’s revenue, results and assets by reportable segment for the three months ended March 31, 2021:

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Notes to Condensed Consolidated Interim Financial Statements (unaudited) (continued)

(in thousands of US dollars)

	Kazakhstan	Corporate	Total ¹
Gas sales	2,384	-	2,384
Oil sales	-	-	-
Segment revenue and other income	2,384	-	2,384
Profit/(loss) before taxation	603	(490)	113
Taxation	(206)	-	(206)
Profit/(loss) for the period	397	(490)	(93)
Total assets	52,681	102,023	52,751
Total liabilities	124,146	5,731	27,924
Expenditure on exploration & evaluation assets, property, plant and equipment	836	-	836
Depreciation, depletion & amortization	749	-	749

Note 1 – Total is after elimination of inter-segment items of \$101,953,000.

The following is an analysis of the Company's revenue, results and assets by reportable segment for the three months ended March 31, 2020:

	Kazakhstan	Corporate	Total ¹
Gas sales	3,501	-	3,501
Oil sales	-	-	-
Segment revenue and other income	3,501	-	3,501
(Loss)/profit before taxation	(14,488)	6,866	(7,622)
Taxation	200	(10)	190
(Loss)/profit for the period	(14,288)	6,856	(7,432)
Total assets	96,080	106,912	96,421
Total liabilities	131,801	25,392	50,622
Expenditure on exploration & evaluation assets, property, plant and equipment	165	-	165
Depreciation, depletion & amortization	1,141	-	1,141

Note 1 – Total is after elimination of inter-segment items of \$106,571,000.

4 Loss per share

Continuing operations	Units	Three months ended March 31	
		2021	2020
Loss for the purpose of basic and diluted		(93)	(7,432)
Loss attributable to ordinary shareholders	\$'000		
Weighted average shares	000s	104,956	81,837
Per share amount	\$	(0.00)	(0.09)

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Company is loss making there is no difference between basic and diluted earnings per share.

5 Subsequent events

There were no subsequent events requiring disclosure.