

Third quarter and nine months report - 30 September 2020

Third quarter 2020 (second quarter 2020)

- Production from Blocks 3&4, Oman, at 10,651 barrels per day (10,597 barrels per day)
- Revenue and other income of MUSD 20.4 (MUSD 21.1)
- EBITDA of MUSD 9.5 (MUSD 8.7)
- Net result of MUSD -2.1 (MUSD -3.9)
- Earnings per share amounted to USD -0.06 (USD -0.12)
- Free cash flow MUSD -11.7 (MUSD 0.2)
- Net cash MUSD 48.0 (MUSD 59.8)
- Free cash flow, before acquisitions, is expected to be positive for the fourth quarter and full year 2020
- Tethys Oil entered into an Exploration and Production Sharing Agreement (EPSA) with the Sultanate of Oman for Block 58, onshore Oman in July 2020

Subsequent events

- Tethys Oil has entered into an agreement to acquire a further 45 percent interest, and assume operatorship of Block 56 in the Sultanate of Oman, subject to government approval

MUSD (unless specifically stated)	Third quarter 2020	Second quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
Net daily production from Oman, Blocks 3&4 before government take (barrels per day)	10,651	10,597	13,053	11,466	12,616	12,832
Net entitlement barrels (bbl)	509,559	532,325	624,433	1,627,686	1,790,923	2,383,086
Net entitlement as share of production (percent)	52	55	52	52	52	51
Achieved selling price per barrel, USD	42.8	34.3	65.4	49.4	64.9	64.2
Revenue and other income	20.4	21.1	40.7	78.7	114.7	150.8
EBITDA	9.5	8.7	26.6	40.1	71.7	92.9
Operating result	-1.0	-1.7	14.5	6.5	36.5	37.1
Net result for the period	-2.1	-3.9	14.9	6.1	38.7	38.3
Earnings per share (after dilution), USD	-0.06	-0.12	0.44	0.18	1.13	1.12
Net cash	48.0	59.8	71.9	48.0	71.9	75.1
Free cash flow	-11.7	0.2	10.4	-2.3	26.6	31.4
Investments in oil and gas properties	8.6	10.4	14.5	34.4	39.0	65.2

Tethys Oil AB (publ)

Tethys Oil is a Swedish oil company with focus on onshore areas with known oil discoveries. The company's core area is the Sultanate of Oman, where it holds interests in Blocks 3&4, Block 49, Block 56 and Block 58. Tethys Oil has net working interest 2P reserves of 26.1 mmbbl and net working interest 2C Contingent Resources of 13.5 mmbbl and had an average oil production of 12,832 barrels per day from Blocks 3&4 during 2019. The company's shares are listed on Nasdaq Stockholm (TETY). Website: www.tethysoil.com

Letter to shareholders

Dear Friends and Investors,

Some of you may recall the old sayings “no gain without pain” and “no guts, no glory”. As we have come out of the third quarter and entered the fourth quarter 2020 both these sayings say quite a bit about Tethys today. And for that matter also about you, our faithful and tested shareholders.

The valuation of oil companies in general and the overall market sentiment versus the oil industry is at its lowest point in decades. The impact from the, anything but contained, COVID pandemic adds pain, not only to oil companies but to industries and people around the world. While our first priority remains staying healthy and doing what we can to alleviate that pain, our second priority is to stay focused and continue to build the business, (even when prospects look pitch black) because the oil age is far from over. It may be in decline, and for the long-term health of our planet that may not be a bad thing, but oil as a commodity will be needed for the foreseeable future - as an absolutely necessary part of providing energy to the world.

That is why, during the recent months, there has been more forward-looking investment from Tethys in new projects than anything we have done since embarking upon the development of Blocks 3&4 onshore Oman more than ten years ago.

The most notable examples of this has been our entry into Block 58, announced in July, and our increased interest in Block 56, announced only last week. These investments are made from a position of strength. The continuing production from Blocks 3&4 remains a solid foundation to build on providing income both to help fund our growth strategy but also to underpin our position as a dividend paying company. And on top of it all our balance sheet remains very strong with no financial debt and almost MUS\$ 50 in cash.

Turning now to looking at the third quarter in more detail let me first report that happily all programs to limit the impact of COVID-19 have been successful. The few cases detected within our operations have all been found early thanks to extensive testing and all infected persons have recovered. We are very grateful to all Omani authorities, CCED, the operator of Block 3&4, and all Tethys co-workers and partners for all efforts to manage the situation.

On the financial front the reduced work program and cost savings have resulted in a decrease of the per unit operating expenditures down to USD 9.5 per barrel, down from USD 10.8 per barrel in the second quarter and USD 11.6 per barrel in the first quarter 2020. The reduction comes from lower overall costs of supplies but also from the shut-in of higher cost wells.

The lower oil price has hit our top line revenues hard, but as we did not sell any oil in July, at very low prices, our achieved selling price in the quarter was 42.8 USD per barrel. This is 25 percent higher than in the second quarter. Timing effects relating to oil sales have, however, had an adverse effect on our free cash flow in the quarter, which amounted to MUS\$ -11.7 and was impacted by a negative working capital effect of MUS\$ -12.3. Given that it is just a matter of timing, we expect the free cash flow in the fourth quarter to be back at healthy levels as the working capital normalises. So, by paring back the work programme and deferring investments, we are on track to beat our target of cash flow neutrality from Block 3&4 on a full year basis.

Production of 10,651 barrels of oil per day in the third quarter was in line with the production in the second quarter 2020. We happily note that production remained above our indicated quotas at 9,300 barrels of oil per day, something we are hopeful will continue also in the fourth quarter. An important milestone was also reached in the beginning of the quarter, when the total aggregated gross production from Blocks 3&4 exceeded 100 million barrels. This milestone underscores the hydrocarbon potential of Blocks 3&4.

On Block 49 we are closing in on our first operated exploration well for a long time. We have identified a rig and are in the final stages of negotiating the rig contract. Construction at the drill site is well underway where roads, drill pad, camp and similar facilities are rapidly emerging and the date for spud of the Thameen-1 well is planned for mid-December. We have also received a one-year extension of the license, allowing us to both complete the drilling operations and also evaluate the results from the well in good time ahead of the new deadline of December 2021.

After the reporting period, we entered into an agreement, subject to government approval, to acquire an additional 45 percent interest in the exploration and production license covering Block 56. Upon completing this transaction, we increase our interest in the Block from 20 to 65 percent and we also assume the operatorship. That Tethys will then be operating three blocks onshore the Sultanate of Oman is a great honour and one that comes with a lot of responsibility. But being operator also offers some great opportunities. The strong technical team we have built in Oman over our ten years in the Sultanate will now have a chance to really prove its mettle in leading the partner group in the work of bringing oil out of Block 56. The work we have done during the quarter of reviewing the well data and the existing seismic has confirmed our enthusiasm for the block. We are excited to enter into the second exploration phase and to be in the driver's seat in preparing the upcoming work program.

And last but not least on our new Block, 58, desktop G&G work has included merging of legacy seismic 3D data and planning of 2021 work program.

So stay with us - the oil business has always been full of booms and busts and it is our firm belief that you create value by being countercyclical!

Stockholm, November 2020

Magnus Nordin,
Managing Director

Production & Operations¹

Tethys Oil's core area is onshore the Sultanate of Oman ("Oman"), where the Group holds a 30 percent non-operated interest in the exploration and production licence for Blocks 3&4 ("Blocks 3&4"), a 100 percent operated interest in the exploration licence for Block 49 ("Block 49") and a non-operated 20 percent interest in the exploration licence for Block 56 ("Block 56"). During the third quarter 2020, the Government of the Sultanate of Oman and Tethys Oil entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 ("Block 58") onshore Oman. Tethys Oil holds a 100% license interest and is the operator of Block 58. In October 2020, Tethys Oil entered into an agreement with Medco Arabia Limited ("Medco") to acquire a further 45 percent interest in the exploration licence for Block 56. Once the transaction with Medco is concluded Tethys Oil will have a 65 percent working interest in Block 56 and assume operatorship. Completion of the transaction is subject to government approval. Tethys Oil also has a non-operated interest onshore Lithuania via an associated company.

At the end of the first quarter 2020 government authorities in the Sultanate of Oman implemented measures in response to the global COVID-19 pandemic. The aim of the measures has been to minimise the risk of contagion while still allowing operations to proceed safely. During the third quarter, production and drilling operations, as well as oil exports have continued to be undisrupted.

Blocks 3&4

Tethys Oil's share of production from Blocks 3&4 during the third quarter 2020, before government take, was 979,922 barrels of oil, corresponding to 10,651 barrels of oil per day. Third quarter 2020 average daily production was in line with second quarter 2020 as Blocks 3&4 was permitted to continue to produce at a level somewhat higher than the previously communicated production quotas, following the OPEC+ production limitations.

Production Limitations

As announced in April 2020, the Sultanate of Oman is party to the OPEC+ agreement on production limitations. Tethys Oil was subsequently informed by the operator that Blocks 3&4 was to be subject to production limitations for the remainder of 2020. Tethys Oil's net share of the production quota, before government take, for May-June 2020 was set to 8,700 barrels per day and 9,300 barrels per day for the period July to December 2020. The production from Blocks 3&4 can, however, deviate from the quotas on a monthly basis as has been the case throughout the third quarter.

Production	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Blocks 3&4					
Production, before Government take, bbl	979,922	964,299	1,185,945	1,239,673	1,200,833
Average daily production, barrels per day	10,651	10,597	13,032	13,475	13,053

In April 2020, and as a response to the sharp drop in oil prices and increased uncertainty resulting from the effects of the global COVID-19 pandemic and production limitations, plans were put in place to significantly reduce or defer expenditure on Blocks 3&4 for the remainder of 2020. The aim of the reductions was to ensure the operations on Blocks 3&4 remained, at minimum, cash flow neutral for the full year at the prevailing market conditions. The revised plans include a reduction of development activities, such as production drilling, while still ensuring that production can be ramped up quickly should the production limitations be lifted. For the first nine months of 2020 Blocks 3&4 has been cash flow positive and is expected to remain so for the full year 2020.

In the third quarter of 2020, operations on Blocks 3&4 continued, albeit at a slower pace according to the reduced plans set out in the second quarter. Focus has primarily been on projects critical for safety and asset integrity and on completion of de-bottlenecking projects in order to be ready to increase production in case the situation would change. The flexible planning has allowed the fields to produce at higher levels than anticipated by the communicated quota, when permitted.

During the quarter, the rigorous testing and quarantining procedures to mitigate the spread of the coronavirus at operating facilities have been in place. This has resulted in the detection of a small number of infected employees and contractors on Blocks 3&4. In accordance with the routines, all infected personnel were quarantined,

¹ The consolidated financial statements of the Tethys Oil Group (hereafter referred to as "Tethys Oil", "Tethys" or the "Group"), in which group Tethys Oil AB (publ) (the "Company") with organisational number 556615-8266 is the parent company, are hereby presented for the third quarter 2020. Segments of the Group are geographical markets.

successfully preventing a general spread of the infection and enabling operations to proceed unaffected. All infected persons have recovered.

During the quarter only one drilling rig and one workover rig were active on the blocks after two drilling rigs were put on standby in June. Two new wells were completed during the quarter, one production well and one water injection well. Both were drilled on the Farha South field. The number of workovers and well interventions remained in line with the second quarter with eight in the third quarter compared to nine the second quarter 2020.

Wells completed Q3 2020 (primary purpose)	Ufa, Samha and Erfan Fields	Farha South Field	Shahd and Saiwan East Fields	Near and far field exploration	Total
Appraisal/Production	-	1	-	-	1
Water injection	-	1	-	-	1
Water source	-	-	-	-	-
Exploration	-	-	-	-	-
Total	-	2	-	-	2

Exploration activities

More than 4,000 km² of new 3D seismic was collected in late 2019 and early 2020 in the entire license area to the north of the Farha South field in Block 3. Multiple leads have been identified within this area, including leads in previously untested oil plays. The data is being processed and the first set of processed data has been handed over to the partner group for interpretation. During the fourth quarter the exploration well Anan-1 is planned to be spudded with results expected in the first quarter of 2021.

Block 49

On Block 49, the preparations for the drilling of the Thameen (“Precious”) prospect in the north eastern part of the block continues. A suitable rig has been identified and final stages of contract negotiations is ongoing. The Thameen well is expected to spud in mid-December. Construction at the drill site has started, including construction of roads, drill pad, and camp. As a result of the delayed spud on Block 49 a majority of the capital spending related to the well is expected to be incurred in early 2021. The Thameen exploration well is planned to be drilled to a depth of close to 4,000 meters to evaluate three potential reservoir targets. In addition, Tethys Oil has been granted a one-year extension of the first exploration phase of the Block. Following the extension, the first phase will end in December 2021.

Block 56

In the fourth quarter 2020, Tethys Oil, entered into an agreement with Medco Arabia Ltd whereby Tethys will acquire a 45 percent interest in the exploration and production license covering Block 56 onshore Oman. The transaction will increase Tethys’ interest in Block 56 from 20 to 65 percent. Upon closing, Tethys Oil will assume operatorship of the block from Medco, who will retain a 5 percent interest in the license. The transaction is subject to government approval.

In consideration for the 45 per cent interest acquired, Tethys Oil will pay MUS\$ 5 to Medco and will also carry Medco up to MUS\$ 2 of future expenditure. The agreement further includes additional consideration in the case of a declaration of commerciality under the terms of the license.

Tethys Oil acquired its initial 20 percent interest in the block in the fourth quarter 2019. Block 56 covers an area of 5,808 km² in the south-eastern part of Oman approximately 200 km south of Blocks 3&4. Testing operations of three previously drilled wells were successfully completed in the first quarter 2020. One of the wells confirmed the presence of an active petroleum system with a crude oil quality of 20-25 degrees API and medium viscosity, although the commercial viability is yet to be determined.

The license for Block 56 is governed by an Exploration and Production Sharing Agreement signed in November 2014. Its initial three-year exploration ends in December 2020. The partners have elected to enter into the second exploration phase ending in December 2023. During the third quarter 2020, the potential of the Block has been reviewed and the preparation of the second exploration phase work program continued.

Block 58

Tethys Oil announced in early July 2020 that the Government of the Sultanate of Oman and Tethys Oil had entered into an Exploration and Production Sharing Agreement (EPSA) for Block 58 onshore Oman, a royal decree was received shortly after the announcement. Tethys Oil will through its wholly owned subsidiary Tethys Oil Qatbeet Limited be the operator of the block and hold a 100% license interest.

Block 58 is located in the Dhofar Governorate in the southern part of Oman, adjacent to Tethys Oil's operated exploration licence Block 49. It covers an area of 4,557 km². Block 58 straddles the western flank of the South Oman Salt Basin and the Western Deformation Front. A total of 7,600 km of 2D seismic and 1,100 km² of 3D seismic data acquired by previous operators has been made available to Tethys Oil as well as raw logs and well reports from two wells drilled within the block boundaries. Both wells encountered hydrocarbon shows. Multiple play concepts are believed to exist within the block boundaries, including plays familiar to Tethys, with several leads identified.

The EPSA for Block 58 covers an initial exploration period of three years with an optional extension period of another three years. In case of a commercial oil or gas discovery, the EPSA will be transformed in to a 15-year production licence which can be extended for another five years. In case of a commercial discovery, an Oman Government Company has a right to acquire up to a 30% interest in Block 58 against refunding of past expenditure. The initial work commitments during the first period include a 3D seismic campaign and drilling of two exploration wells.

In the third quarter 2020, legacy seismic 3D data has been merged, and a review is on-going to determine if re-processing of the data will be needed. In addition, planning of 2021 work program has started.

Financial and Production Guidance

Following the announcement in April 2020 of the introduction of production limitations in Oman, Tethys Oil suspended its previously announced financial guidance for 2020 regarding production (previously 12,600 – 13,400 bopd before government take), investments (previously MUS\$ 50 – 64) and operating expenses (previously USD 11.5 per barrel).

No new financial or production guidance has been provided for 2020. Production updates will continue to be released on a monthly basis.

Financial Review

Income Statement

Production entitlement and sales

Tethys Oil's revenue derives from its 30 percent interest in Blocks 3&4. The basis for the revenue is its share of the joint operation's entitlement production, which is the oil net of the government's take. The production entitlement ("Net Entitlement") is made up of Cost Oil and Profit Oil. The Cost Oil is determined by the availability of recoverable costs spent in the period and the balance of unrecovered historical cost ("the Cost Pool") and capped to a fixed share of total production in the period. What remains after the deduction of Cost Oil is Profit Oil, the majority of which is the government's take according to a fixed percentage.

During the third quarter, the level of production, value of recoverable costs incurred, and achieved oil price resulted in a Net Entitlement of 52 percent compared to 55 percent in the second quarter 2020. Under current oil price conditions, production limitations and expected expenditure the Net Entitlement share of production for the full year 2020 is expected to be at or just below the annual maximum 52 percent, albeit with quarterly variations. At the end of the third quarter, Tethys Oil has been unable to recover all the costs incurred on Blocks 3&4 leaving a balance of unrecovered cost in the Cost Pool.

Production entitlement and sales	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Blocks 3&4					
Production, before Government take, bbl	979,922	964,299	1,185,945	1,239,673	1,200,833
Net Entitlement barrels, bbl	509,559	532,325	585,801	592,164	624,433
Net Entitlement share of production, percent	52	55	49	48	52
Oil sales (bbl)	416,162	545,986	808,389	449,073	635,947
Underlift/overlift movement, bbl	93,397	-13,661	-222,588	143,091	-11,514
Underlift/overlift, closing position, bbl	14,469	-78,928	-65,267	157,321	14,230

During the third quarter 2020, Tethys Oil sold 416,162 barrels of oil from Blocks 3&4 compared to 545,986 barrels of oil sold during the second quarter 2020, a decrease of 24 percent. The decrease in sales was a result of rebalancing of the overlift position at the end of the second quarter, consequently no lifting was made in July 2020, which incidentally was the month with lowest oil price of the quarter.

Oil sale volumes are nominated two to three months in advance and are not based upon the actual production in a month; as a result, the Group's oil sales volumes can be above or below production entitlement volumes. Where the oil sales volume exceeds the volume of entitlement barrels produced, an overlift position occurs and where it is less, an underlift position occurs. Tethys Oil is contractually obliged to maintain a neutral under-/overlift position over time. Tethys Oil's lifting position changed during the third quarter to an underlift position at 30 September 2020 of 14,469 barrels from an overlift position of 78,928 barrels at 30 June 2020.

Tethys Oil sells all of its oil from Blocks 3&4 on a monthly basis to Mitsui Energy Trading Singapore, which is part of Mitsui & Co Ltd. Tethys Oil's monthly sales are priced using Oman's Official Selling Price (OSP) which is calculated using the monthly average price of the front month futures contract of Oman blend (with 2 months to delivery) as traded on the Dubai Mercantile Exchange, including trading and quality adjustments.

Revenue and other income

Tethys Oil's Revenue and other income is comprised of revenue from oil sold in the period and an overlift/underlift adjustment.

The achieved selling price during the third quarter 2020 amounted to USD 42.8 per barrel, an increase of USD 8.5, or 25 percent, from USD 34.3 during the second quarter 2020. The achieved selling price was positively impacted by the fact that no lifting was made in July 2020 when the OSP per barrel was USD 33.7 compared to USD 41.6 in August and USD 43.6 in September 2020.

Revenue and Other income	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Achieved Oil Price, USD/bbl	42.8	34.3	63.1	61.4	65.4
Revenue, MUSD	17.9	18.7	51.0	27.6	41.6
Underlift/Overlift adjustment, MUSD	2.5	2.4	-13.7	8.6	-0.9
Revenue and other income, MUSD	20.4	21.1	37.3	36.2	40.7

Revenue in the third quarter 2020 was MUSD 17.9 compared to MUSD 18.7 in the second quarter 2020 a decrease of 4 percent compared to the second quarter. The decrease is a result of the 24 percent lower oil sales offset by the 25 percent higher achieved oil price. The underlift/overlift adjustment in the third quarter amounted to MUSD 2.5 (MUSD 2.4) as result of the movement from an overlift to an underlift position. The underlift/overlift adjustment in the second quarter 2020 amounted of MUSD 2.4 as the increased overlift was offset by the effect of the significantly lower oil price at the end of the quarter. Revenue and other income in the third quarter 2020 amounted to MUSD 20.4 compared to MUSD 21.1 in the second quarter 2020. The decrease is due to lower revenues derived from the lower volumes oil sold.

Operating expenses

Production costs relate to oil production on Blocks 3&4, and comprise expenses for throughput fees, energy, consumables, equipment rental, field staff and maintenance, as well as administration, including operator overhead.

Operating expenses	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Production costs, MUSD	8.8	9.6	12.7	12.3	11.0
Well workovers, MUSD	0.5	0.8	1.0	0.9	1.1
Total operating expenses, MUSD	9.3	10.4	13.7	13.2	12.1
Operating expenses per barrel, USD	9.5	10.8	11.6	10.7	10.1

Operating expenses, including costs for well workovers and interventions, for the third quarter 2020 amounted to MUSD 9.3 and were lower than the second quarter 2020 when operating expenditure amounted to MUSD 10.4. The decrease in operating expenditures is due to the effect of lower production as well as the implementation of cost savings in response to the lower oil price. In reducing production, priority has been given to shut-in higher cost wells resulting in lower per barrel operating expenses in the quarter. Fewer and less expensive workovers and well interventions were performed in the third quarter compared to the second quarter 2020.

Depletion, depreciation and amortisation

DD&A	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
DD&A, MUSD	10.5	10.4	12.7	12.6	12.2
DD&A per barrel, USD	10.7	10.7	10.6	10.1	10.1

Depletion, depreciation and amortisation ("DD&A") during the third quarter 2020 amounted to MUSD 10.5, compared to MUSD 10.4 in the second quarter 2020. DD&A per barrel excludes the depreciation cost relating to leases under IFRS 16.

Administrative expenses

Administrative expenses for the third quarter 2020 amounted to MUSD 1.6 compared to MUSD 2.0 in the second quarter 2020. Administrative expenses mainly relate to staff, rents, listing costs and external services.

Administrative expenses were lower in the third quarter compared to the second quarter mainly due to the cost of the long-term incentive programme included in the second quarter expenses.

Operating result and EBITDA

The operating result in the third quarter 2020 amounted to MUSD -1.0 compared to MUSD -1.7 in the second quarter 2020. The reduced operating and administrative expenses more than offset the lower revenues resulting in a reduced loss compared to the second quarter 2020. Earnings before interest and depreciation and amortisation (EBITDA) amounted to MUSD 9.5 in the third quarter 2020 (MUSD 8.7).

Net financial result

The net financial result during the third quarter 2020 amounted to MUSD -1.1 compared to MUSD -2.2 during the second quarter 2020. The net financial result for the third quarter 2020 primarily related to currency exchange effects and in particular the appreciation of the SEK to the USD. Currency exchange differences recorded on loans between the parent company and subsidiaries are non-cash items.

Tax

Tethys Oil's oil and gas operations in Oman are governed by an Exploration and Production Sharing Agreement for each licence ("EPSA") whereby Tethys Oil receives its share of oil after government take. Under the terms of each EPSA, Tethys Oil is subject to Omani income taxes, which are paid in full, on behalf of Tethys Oil, from the government share of oil. The effect of these taxes is netted against revenue and other income in the income statement.

Result

Tethys Oil reports a net result after tax for the third quarter 2020 of MUSD -2.1, representing earnings per share (after dilution) of USD -0.06. The result for the third quarter 2020 has a minor increase compared to the second quarter 2020 when the net result amounted to MUSD -3.9, with earnings per share (after dilution) of USD -0.12.

Netback

Netback, USD per barrel	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Oil price achieved (sales barrels)	42.8	34.3	63.1	61.4	65.4
Net revenue (after government take)	22.3	18.9	31.2	29.3	34.0
Operating expenses	9.5	10.8	11.6	10.7	10.1
Netback	12.8	8.1	19.6	18.6	23.9

Netback per barrel increased in the third quarter 2020 compared to the second quarter 2020 as the higher achieved oil price and lower operating expenses offset the lower sequential net entitlement.

Financial position and cash flow

Assets and equity

The Group's total assets at 30 September 2020 amounted to MUSD 275.2 (MUSD 281.1) of which MUSD 212.9 were oil and gas assets (MUSD 214.8). Shareholder's equity at 30 September 2020 was MUSD 260.1 compared to MUSD 261.3 at 30 June 2020.

Balance Sheet	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
Non-current assets					
Oil & Gas Properties	212.9	214.8	214.7	211.7	204.0
Other fixed assets	0.4	0.4	0.4	0.6	0.7
Current Assets					
Other current assets	13.6	5.8	14.7	12.3	19.4
Cash & Equivalents	48.3	60.1	78.2	75.6	72.4
Total assets	275.2	281.1	308.0	300.2	296.5
Shareholders' equity	260.1	261.3	279.8	276.3	273.2
Non-current liabilities	10.6	10.7	10.7	11.0	9.0
Current liabilities	4.5	9.1	17.5	12.9	14.3
Total Equity & Liabilities	275.2	281.1	308.0	300.2	296.5

Liquidity and financing

Cash in bank as at 30 September 2020 amounted to MUSD 48.3 compared to MUSD 60.1 as at 30 June 2020. Net cash at 30 September 2020 was MUSD 48.0 compared to MUSD 59.8 at 30 June 2020. See page 17 for reconciliation between cash and net cash.

Cash flow and investments

Cash flow	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Cash Flow from Operations	-3.1	10.8	24.7	27.1	28.9
Cash flow from Investments	-8.6	-10.6	-15.5	-22.2	-18.5
Free Cash flow	-11.7	0.2	9.2	4.9	10.4
Cash flow from Financing Activities	-	-18.2	-5.8	-1.3	0.0
Period Cash Flow	-11.7	-18.0	3.4	3.6	10.4

During the third quarter 2020, cash flow from operations amounted to MUSD -3.1 (MUSD 10.8) mainly due to a negative working capital effect of MUSD 12.3. Investments decreased to MUSD -8.6 (MUSD -10.6). No cash flow from financing activities was reported during third quarter (MUSD -18.2). Investments on Blocks 3&4 during the third quarter 2020 were lower than the second quarter 2020 across all categories in response to the lower oil price and production. Free cash flow (cash flow after investments) was MUSD -11.7 (MUSD 0.2). The MUSD 12.3 negative working capital effect is mainly due to timing of liftings and the reduction of the overlift position, which was particularly strong in the third quarter. Free cash flow, before acquisitions, is expected to be positive for the fourth quarter and full year 2020.

Total investments

Investments, MUSD	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Drilling	3.5	5.4	6.6	6.0	6.3
G&G	1.4	1.7	4.8	4.0	3.6
Facilities	1.6	2.6	3.4	6.0	4.3
Total investments Blocks 3&4	6.5	9.7	14.8	16.0	14.2
Block 49	0.5	0.7	0.4	1.6	0.3
Block 56	0.0	0.0	0.2	8.6	-
Block 58	1.6	-	-	-	-
Total investments in Oil & Gas assets	8.6	10.4	15.4	26.2	14.5
New ventures/Other	0.0	0.2	0.1	-4.0	4.0
Total investments	8.6	10.6	15.5	22.2	18.5

Parent Company, Dividend & Share data

Parent company

The parent company reports a net result after tax for the third quarter 2020 amounting to MSEK -9.4 compared to MSEK -25.7 for the second quarter 2020. Administrative expenses during the third quarter 2020 amounted to MSEK 9.6 compared to MSEK 13.3 for the second quarter 2020. The higher costs in the second quarter related primarily to the staff long-term incentive programme and the AGM.

The Net financial result amounted to MSEK -5.1 during the third quarter 2020 compared to MSEK -14.3 for the second quarter 2020. Net financial result consists of currency exchange losses related to intercompany loans, bank account and account payable of MSEK -9.0 compared to MSEK -19.6 for the second quarter 2020 and interest income MSEK 3.9 compared to MSEK 5.4 for the second quarter 2020.

Share data

As at 30 September 2020, the number of issued shares in Tethys Oil amounted to 33,056,608, with a quota value of SEK 0.18 (SEK 0.18). All shares represent one vote each. As per 30 September 2020, Tethys Oil held no treasury shares.

Tethys Oil currently has four active warrant-based incentive programmes for employees, (for further information please see Note 10) which, if exercised can result in the issuance of up to 1,575,500 shares (4.8 percent of current shares in issue). As the share price was below the subscription price of the four tranches of the incentive programme throughout the third quarter 2020, there was no potential dilution effect of the warrants included in the weighted average number of shares after dilution. As a result, in the third quarter 2020, the weighted average number of shares outstanding before dilution and after dilution was 33,056,608.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

MUSD	Note	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue and other income	3	20.4	40.7	78.7	114.7	150.8
Operating expenses		-9.3	-12.1	-33.4	-38.3	-51.6
Gross profit		11.1	28.6	45.3	76.4	99.2
Depletion, depreciation and amortisation	2, 5	-10.5	-12.2	-33.6	-35.0	-47.6
Exploration costs		-	-0.0	-	-0.2	-8.2
Share of net profit/loss from associates		-	0.0	-	0.7	0.7
Administrative expenses		-1.6	-1.9	-5.2	-5.3	-7.0
Operating result		-1.0	14.5	6.5	36.5	37.1
Net financial result	4	-1.1	0.4	-0.4	2.2	1.2
Result before tax		-2.1	14.9	6.1	38.7	38.3
Income tax		-	-	-	-	-
Net Result		-2.1	14.9	6.1	38.7	38.3
Other comprehensive result						
Items that may be subsequently reclassified to profit or loss:						
Exchange differences		0.5	-0.4	1.5	-2.8	-1.6
Other comprehensive result		0.5	-0.4	1.5	-2.8	-1.6
Total comprehensive result		-1.6	14.5	7.6	35.9	36.7
Attributable to:						
Shareholders in the parent company		-1.6	14.5	7.6	35.9	36.7
Non-controlling interest		-	-	-	-	-
Number of shares at period end		33,056,608	35,896,310	33,056,608	35,896,310	36,294,960
Weighted average number of shares (before dilution)		33,056,608	34,150,397	33,411,860	34,182,985	34,222,908
Weighted average number of shares (after dilution)		33,056,608	34,301,496	33,420,759	34,279,306	34,302,768
Earnings per share (before dilution), USD		-0.06	0.44	0.18	1.13	1.12
Earnings per share (after dilution), USD		-0.06	0.44	0.18	1.13	1.12

CONSOLIDATED BALANCE SHEET IN SUMMARY

MUSD	Note	30 Sep 2020	31 Dec 2019
ASSETS			
Non-current assets			
Oil and gas properties	5	212.9	211.7
Other fixed assets		0.4	0.6
		213.3	212.3
Current assets			
Other receivables	6	13.3	12.0
Prepaid expenses		0.3	0.3
Cash and cash equivalents		48.3	75.6
		61.9	87.9
TOTAL ASSETS		275.2	300.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		0.8	0.8
Additional paid in capital		76.3	76.3
Reserves		-0.4	-1.9
Retained earnings		183.4	201.1
Total shareholders' equity		260.1	276.3
Non-current liabilities			
Non-current provisions	7	10.0	9.6
Other non-current liabilities	8	0.6	1.4
		10.6	11.0
Current liabilities			
Accounts payable and other current liabilities	9	4.5	12.9
		4.5	12.9
Total liabilities		15.1	23.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		275.2	300.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

Attributable to shareholders of the parent company					
MUSD	Share capital	Paid in capital	Reserves	Retained earnings	Total equity
Opening balance 1 January 2019	0.8	74.0	-0.3	193.1	267.6
Result for twelve months 2019	-	-	-	38.3	38.3
Currency exchange differences twelve months 2019	-	-	-1.6	-	-1.6
Total comprehensive result	0.0	0.0	-1.6	38.3	36.7
Transactions with owners					
Share issue	0.0	2.3	-	-	2.3
Purchase of own shares	-	-	-	-2.1	-2.1
Dividend	-	-	-	-7.1	-7.1
Share redemption	-	-	-	-21.4	-21.4
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	0.0	2.3	0.0	-30.3	-28.0
Closing balance 31 December 2019	0.8	76.3	-1.9	201.1	276.3
Opening balance 1 January 2020	0.8	76.3	-1.9	201.1	276.3
Result for nine months 2020	-	-	-	6.1	6.1
Currency exchange differences nine months 2020	-	-	1.5	-	1.5
Total comprehensive income	-	-	1.5	6.1	7.6
Transactions with owners					
Share issue	-	-	-	-	-
Purchase of own shares	-	-	-	-6.5	-6.5
Dividends paid	-	-	-	-7.0	-7.0
Share redemption	-	-	-	-10.6	-10.6
Incentive programme	-	-	-	0.3	0.3
Total transactions with owners	-	-	-	-23.8	-23.8
Closing balance 30 September 2020	0.8	76.3	-0.4	183.4	260.1

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

	Note	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
Cash flow from operations						
Operating result		-1.0	14.5	6.5	36.5	37.1
Interest received	4	-	-	0.0	0.0	0.8
Interest paid		-	0.0	0.0	-0.0	-0.0
Adjustment for exploration costs		-	0.0	-	0.2	8.2
Adjustment for depletion, depreciation and other non-cash related items		10.2	12.9	35.7	30.0	46.0
Total cash flow from operations before change in working capital						
		9.2	27.4	42.2	66.7	92.1
Change in receivables		-7.7	0.8	-1.3	2.8	5.9
Change in liabilities		-4.6	0.7	-8.4	-0.6	-2.0
Cash flow from operations						
		-3.1	28.9	32.5	68.9	96.0
Investment activity						
Investment in oil and gas properties	5	-8.6	-14.5	-34.4	-38.9	-65.2
Investment in other fixed assets		-	0.0	-0.3	-0.1	-0.1
Other		-	-4.0	-	-4.0	-
Cash from associated companies, net		-	0.0	-	0.7	0.7
Cash flow from investment activity						
		-8.6	-18.5	-34.7	-42.3	-64.6
Financing activity						
Share issue		-	-	-	-	2.3
Purchase of own shares		-	-	-6.5	-2.1	-2.1
Dividend		-	-	-10.6	-3.5	-7.1
Share redemption		-	-	-7.0	-21.4	-21.4
Cash flow from financing activity						
		-	0.0	-24.1	-27.0	-28.3
Period cash flow						
		-11.7	10.4	-26.3	-0.4	3.1
Cash and cash equivalents at the beginning of the period		60.1	62.5	75.6	73.1	73.1
Exchange gains/losses on cash and cash equivalents		-0.1	-0.5	-1.0	-0.3	-0.6
Cash and cash equivalents at the end of the period						
		48.3	72.4	48.3	72.4	75.6

KEY RATIOS

Group	Third	Third	Nine	Nine	Full
	quarter	quarter	months	months	Year
	2020	2019	2020	2019	2019
Operational items					
Production before government take, Oman Blocks 3&4, bbl	979,922	1,200,833	3,130,165	3,444,081	4,683,754
Production per day, Oman Blocks 3&4, bbl	10,651	13,053	11,466	12,616	12,832
Oil sales, bbl	416,162	635,947	1,770,537	1,810,776	2,259,849
Achieved oil price, USD/bbl	42.8	65.4	49.4	64.9	64.2
Income statement and balance sheet					
Revenue and other income, MUSD	20.4	40.7	78.7	114.7	150.8
EBITDA, MUSD	9.5	26.6	40.1	71.7	92.9
EBITDA-margin	47%	65%	51%	63%	62%
Operating result, MUSD	-1.0	14.5	6.5	36.5	37.1
Operating margin	-5%	36%	8%	32%	25%
Net result, MUSD	-2.1	14.9	6.1	38.7	38.3
Net margin	-10%	37%	8%	34%	25%
Cash and cash equivalents, MUSD	48.3	72.4	48.3	72.4	75.6
Shareholders' equity, MUSD	260.1	273.2	260.1	273.2	276.3
Balance sheet total, MUSD	275.2	296.5	275.2	296.5	300.2
Capital structure					
Equity ratio	95%	92%	95%	92%	92%
Leverage ratio	neg.	neg.	neg.	neg.	neg.
Investments in oil and gas properties, MUSD	8.6	14.5	34.4	38.9	65.2
Net cash, MUSD	48.0	71.9	48.0	71.9	75.1
Profitability					
Return on shareholders' equity					14.1%
Return on capital employed					14.7%
Other					
Average number of full-time employees	22	24	22	23	23
Distribution per share, SEK	-	-	5.00	7.00	8.00
Cash flow from operations per share, USD	-0.09	0.69	0.98	1.81	2.64
Number of shares at period end, '000	33,057	35,896	33,057	35,896	36,295
Shareholders' equity per share, USD	7.87	7.61	7.87	7.61	7.61
Weighted average number of shares (before dilution), '000	33,057	34,150	33,412	34,183	34,223
Weighted average number of shares (after dilution), '000	33,057	34,301	33,421	34,279	34,303
Earnings per share before dilution, USD	-0.06	0.44	0.18	1.13	1.12
Earnings per share after dilution, USD	-0.06	0.44	0.18	1.13	1.12

For definitions of key ratios, please refer to the 2019 Annual Report.

Key quarterly data

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net daily production before government take, Blocks 3&4, bbl	10,651	10,597	13,032	13,475	13,053	12,881	11,901	11,898
Oil sales, bbl	416,162	545,986	808,389	449,073	635,947	561,077	613,752	542,596
Revenue and other income, MUSD	20.4	21.1	37.3	36.2	40.7	41.3	32.7	44.4
EBITDA, MUSD	9.5	8.7	21.9	21.3	26.6	27.9	17.2	30.8
Cash flow from operations, MUSD	-3.1	10.8	24.7	27.1	28.9	18.4	21.7	29.3
Earnings per share after dilution, USD	-0.06	-0.12	0.35	-0.01	0.44	0.51	0.19	0.65
Share price, end of period, SEK	43.1	45.7	47.7	84.4	78.3	74.5	75.8	64.8

For definitions of key ratios, please refer to the 2019 Annual Report.

Relevant reconciliations of alternative performance measures

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by executive management and the Board of Directors to measure Tethys Oil's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. Besides the definitions below, definitions of alternative performance measures can be found in the 2019 Annual Report.

MUSD	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine Months 2019	Full Year 2019
Operating result	-1.0	14.5	6.5	36.5	37.1
Add: Depreciation, depletion and amortisation	10.5	12.2	33.6	35.0	47.6
Add: Exploration costs	-	-0.0	-	0.2	8.2
EBITDA	9.5	26.6	40.1	71.7	92.9
Cash and bank	48.3	72.4	48.3	72.4	75.6
Less: Interest bearing debt	-0.3	-0.5	-0.3	-0.5	-0.5
Net cash	48.0	71.9	48.0	71.9	75.1

PARENT COMPANY INCOME STATEMENT IN SUMMARY

MSEK	Note	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine Months 2019	Full year 2019
Other income		5.3	2.3	11.4	7.5	10.7
Share of net profit/loss from associates		-	-	-	6.4	6.4
Administrative expenses	10	-9.6	-9.9	-35.5	-30.0	-43.1
Operating result		-4.3	-7.6	-24.1	-16.1	-26.0
Net financial result	4	-5.1	37.1	15.2	89.4	303.6
Result before tax		-9.4	29.5	-8.9	73.3	277.6
Income tax		-	-	-	-	-
Result for the period*		-9.4	29.5	-8.9	73.3	277.6

* As there are no items in the parent company's other comprehensive income, no separate report on total comprehensive income is presented.

PARENT COMPANY BALANCE SHEET IN SUMMARY

MSEK	Note	30 Sep 2020	31 Dec 2019
ASSETS			
Total non current assets		309.9	447.2
Total current assets		23.8	26.3
TOTAL ASSETS		333.7	473.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity		77.1	77.1
Unrestricted shareholders' equity		146.6	382.4
Total current liabilities		110.0	14.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		333.7	473.5

NOTES

General information

Tethys Oil AB (publ) (the “Company”), corporate identity number 556615-8266, and its subsidiaries (together the “Group” or “Tethys Oil”) are focused on exploration for and production of oil and natural gas. The Group has interests in exploration and production licences in Oman and Lithuania. The Company is a limited liability company incorporated and domiciled in Stockholm, Sweden. The Company is listed on Nasdaq Stockholm.

Accounting principles

The third quarter 2020 report of the Tethys Oil Group has been prepared in accordance with IAS 34 and the Annual Accounts Act. The third quarter 2020 report of the Company has been prepared in accordance with the Annual Accounts Act and the Recommendation RFR 2 “Accounting for legal entities”, issued by the Swedish Financial Accounting Standards Council.

The accounting principles as described in the 2019 Annual Report have been used in the preparation of this report.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Tethys Oil applies the ESMA’s (European Securities and Markets Authority) guidelines for alternative performance measures. Definitions of performance measures are provided in the 2019 Annual Report and the relevant reconciliations can be found on 17 of this report.

Exchange rates

For the preparation of the financial statements for the reporting period, the following exchange rates have been used.

Currency	30 September 2020		31 December 2019	
	Average	Period end	Average	Period end
SEK/USD	9.38	8.99	9.51	9.48
SEK/EUR	10.58	10.54	10.66	10.55

The Group is exposed to fluctuations in the foreign exchange markets as fluctuations in exchange rates can negatively affect the result, cash flow and equity. The major proportion of the Group’s assets relate to international oil and gas discoveries valued in USD and which generate revenues in USD. During the third quarter 2020, all of Tethys Oil’s oil sales and operating expenditures were denominated in USD.

Fair value

The nominal value of Accounts payables and other current liabilities, Cash and bank and Other receivables is a fair approximation of those line items as they are short term in nature.

IFRS 9 valuation categories and related balance sheet items

MUSD	30 September 2020			31 December 2019		
	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
Other receivables	-	13.3	-	-	12.0	-
Cash and bank	-	48.3	-	-	75.6	-
Other non current liabilities	-	-	0.6	-	-	1.4
Accounts payables and other current liabilities	-	-	4.5	-	-	12.9

Note 1) Risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are continuously monitored and reviewed. The main risks and uncertainties are the operational and financial risks described below.

Operational risk

At its current stage of development, Tethys Oil is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations. The operational risk is different in these parts of Tethys Oil's operations. The main operational risk in exploration and appraisal activities is that the activities and investments made by Tethys Oil will not evolve into commercial reserves of oil and gas. The oil price is of significant importance to Tethys Oil in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Lower oil prices could also decrease the industry interest in Tethys Oil's projects regarding farm-out or sale of assets. There are no oil price hedges in place as at 30 September 2020.

In recent years OPEC and associated countries have, from time to time, agreed to voluntary production limitations. Oman has in the past participated in such agreements. As of May 2020 oil production in Oman is subject to production limitations under the OPEC+ agreement. As a consequence of the OPEC+ agreement Tethys Oil's production on Blocks 3&4 is subject to production limitations until December 2020. Going forward Tethys Oil cannot rule out the risk of prolonged or new such limitations impacting its oil and gas production and sales.

Another operational risk factor is access to equipment in Tethys Oil's projects. In the drilling/development phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Tethys Oil to complete projects. Through its operations, Tethys Oil is also subject to political risk, environmental risk and the risk of not being able to retain key personnel.

Financial risk

The Group's activities expose it to a variety of financial risks, mainly categorised as exchange rate and liquidity risk. The Group's risks are continuously monitored and analysed by the management and board of directors. The aim is to minimise potential adverse effects on the Group's financial performance.

COVID-19 Risks

A global pandemic such as the novel coronavirus (COVID-19) can have a severe negative impact on the group and its ability to conduct operations. Given that Tethys Oil is run by a small specialised staff there is limited redundancy if key staff was to fall ill as a result of a viral infection. The group has aimed to mitigate the risk by encouraging staff to work from home, the implementation of virtual meetings and minimise any non-critical meetings and interactions as well as limit exposure from travel on public transport.

The travel restrictions and lockdown measures implemented by governments across the world can impact supply chains, movement of key personnel and ability to utilise external contractors and consultants.

The impact of the COVID-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during the first nine months of 2020. Oil producers have been unable to reduce output at the same pace as demand has fallen resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices have fallen significantly since the start of the year and certain crude oil qualities have traded at negative prices, albeit for short periods of time. Following the production limitations imposed by OPEC+, the oil price has been rather stable at around USD 40 per barrel since early June 2020.

The COVID-19 outbreak's impact on the economy and energy prices, and the risk to Tethys Oil's ability to conduct its operations profitably and without disruption is currently subject to significant uncertainty. The lower oil prices will impact Tethys Oil's profitability and cash flows in 2020 and potentially beyond. Given the uncertainty surrounding how long the current negative conditions will prevail it cannot be ruled out that oil prices remain at or below the current levels and thus have a longer-term impact on the group's profitability and financial standing. Should oil prices decline from current levels and remain lower, the risk of a future impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2019 Annual Report.

Note 2) Segment reporting

The Group's accounting principle for segments describes that operating segments are based on geographic perspective. The operating result for each segment is presented below.

Group income statement Jan-Sep 2020					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	78.7	-	-	-	78.7
Operating expenses	-33.4	-	-	-	-33.4
Depreciation, depletion and amortisation	-33.6	-	-	-	-33.6
Exploration costs	-	-	-	-	-
Share of net profit/loss from associates	-	-	-	-	-
Administrative expenses	-1.8	-	-2.6	-0.8	-5.2
Operating result	9.9	-	-2.6	-0.8	6.5
Total financial items					-0.4
Result before tax					6.1
Income tax					-
Result for the period					6.1

Group income statement Jan-Sep 2019					
MUSD	Oman	Lithuania	Sweden	Other	Total
Revenue and other income	114.7	-	-	-	114.7
Operating expenses	-38.3	-	-	-	-38.3
Depreciation, depletion and amortisation	-35.0	-	-	-	-35.0
Exploration costs	-	-	-0.2	-	-0.2
Share of net profit/loss from associates	-	0.7	-	-	0.7
Administrative expenses	-2.5	-	-2.4	-0.4	-5.3
Operating result	38.9	0.7	-2.6	-0.4	36.5
Total financial items					2.2
Result before tax					38.7
Income tax					-
Result for the period					38.7

Note 3) Revenue and other income

MUSD	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
Revenue	17.9	41.6	87.6	117.5	145.0
Underlift/overlift adjustments	2.5	-0.9	-8.9	-1.8	5.8
Overlift adjustment Export Reporting Error	-	-	-	-1.0	-
Revenue and other income	20.4	40.7	78.7	114.7	150.8

Note 4) Net financial result

Group	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
MUSD					
Financial income:					
Interest income	0.0	0.2	0.1	0.7	0.8
Currency exchange gain, net	-	0.3	0.0	1.9	0.9
Other financial income	-	-	-	-	-
Financial costs:					
Interest costs	-0.0	-0.0	-0.0	-0.0	-0.0
Currency exchange loss, net	-0.9	-	-	-0.0	-
Other financial costs	-0.2	-0.1	-0.5	-0.4	-0.5
Net financial result	-1.1	0.4	-0.4	2.2	1.2

Parent company	Third quarter 2020	Third quarter 2019	Nine months 2020	Nine months 2019	Full year 2019
MSEK					
Financial income:					
Interest income	3.9	3.9	15.1	13.3	18.3
Currency exchange gain, net	-	3.9	0.2	18.1	8.7
Dividend group companies	-	29.3	-	58.1	276.8
Financial costs:					
Interest costs	-	-	-	-0.0	-0.2
Currency exchange loss, net	-9.0	-	-	-	-
Other financial costs	-	-	-0.1	-0.1	-0.0
Net financial result	-5.1	37.1	15.2	89.4	303.6

Note 5) Oil and gas properties

Country	Licence	Phase	Tethys Oil's share	30 Sep 2020	Investments	DD&A	Write-offs	1 Jan 2020
Oman	Blocks 3&4	Prod.	30%	192.6	31.0	-33.2	-	194.8
Oman	Block 49	Expl.	100%	9.6	1.6	-	-	8.0
Oman	Block 56	Expl.	20%	8.8	0.2	-	-	8.6
Oman	Block 58	Expl.	100%	1.6	1.6	-	-	-
New ventures				0.3	0.0	-	-	0.3
Total				212.9	34.4	-33.2	-	211.7

Note 6) Other receivables

MUSD	30 Sep 2020	31 Dec 2019
VAT	0.2	0.0
Receivables Oil sales	12.4	2.5
Underlift position	0.6	9.5
Other	0.1	0.0
Total	13.3	12.0

Note 7) Provisions

Tethys Oil estimates that its share of site restoration regarding Blocks 3&4 amounts to MUSD 10.0 (MUSD 9.6). As a consequence of this provision, oil and gas properties have increased by an equal amount.

Note 8) Other non-current liabilities

MUSD	30 Sep 2020	31 Dec 2019
Export Reporting Error	0.3	1.0
Leasing	0.3	0.4
Total	0.6	1.4

Note 9) Accounts payable and other current liabilities

MUSD	30 Sep 2020	31 Dec 2019
Accounts payable	0.3	0.4
Operator balance. Oman Blocks 3&4	2.0	10.8
Overlift position	-	-
Other current liabilities	2.2	1.7
Total	4.5	12.9

Note 10) Incentive programme

Tethys Oil has an incentive programme as part of the remuneration package to employees. Warrants have been issued annually since 2015, following a decision by the respective AGM. The number of issued warrants during the second quarter 2020 was 350,000. Issued but not allocated warrants are held by the company. No warrants were exercised during the second or third quarters 2020. As of the date of the report the 2017 incentive programme has expired without exercise.

Warrant incentive programme	Exercise period	Subscription price, SEK	Shares per warrant	1 Jan 2020	Number of warrants			30 Sep 2020
					Issued 2020	Exercised 2020	Expired 2020	
2017 incentive programme	30 May – 2 Oct 2020	69.30	1.24	350,000	-	-	-	350,000
2018 incentive programme	1 Jun – 2 Oct 2021	75.40	1.18	350,000	-	-	-	350,000
2019 incentive programme	1 Jun – 2 Oct 2022	72.80	1.08	350,000	-	-	-	350,000
2020 incentive programme	13 Jun – 6 Oct 2023	54.00	1.00	-	350,000	-	-	350,000
Total				1,050,000	350,000	-	-	1,400,000

As the share price was below the subscription price for all the active tranches of the incentive programme during the third quarter 2020, there was no dilution effect of the warrants included in the weighted average number of shares (after dilution). The weighted average number of shares outstanding (after dilution) was 33,056,608 during the third quarter 2020.

Note 11) Pledged assets

Pledged assets in the parent company amounts to MSEK 0.5 (0.5) and relate to a pledge in relation to office rental.

Note 12) Contingent liabilities

There are no outstanding contingent liabilities as at 30 September 2020, nor for the comparative period.

Note 13) Related party transactions

In the Tethys Oil Group. Tethys Oil AB (publ) with organisational number 556615-8266 is the parent company. Material subsidiaries include Tethys Oil Oman Limited, Tethys Oil Block 3&4 Limited, Tethys Oil Montasar Limited, Tethys Oil Oman Onshore Limited, Tethys Oil Qatbeet Limited, Tethys Oil France AB and Tethys Oil Exploration AB.

During the period, the Company has not had any transactions with related parties outside the group.

Note 14) Subsequent events

On 28 October 2020 Tethys Oil, through a wholly owned subsidiary, entered into an agreement with Medco Arabia Ltd (“Medco”) whereby Tethys will acquire a 45 percent interest in the exploration and production licence covering Block 56 onshore Oman. The transaction will increase Tethys’ interest in Block 56 from 20 to 65 percent. Upon closing, Tethys Oil will assume operatorship of the block from Medco, who will retain a 5 percent interest in the licence. The transaction is subject to government approval.

In consideration for the 45 per cent interest acquired, Tethys Oil will pay MUSD 5 to Medco and will carry Medco for up to MUSD 2 of future exploration expenditure. The agreement further includes additional consideration in the case of a declaration of commerciality under the terms of the licence.

FINANCIAL CALENDAR:

- Report for fourth quarter/year-end report 2020 (January – December 2020) on 9 February 2021
- Report for first quarter 2021 (January – March 2021) on 11 May 2021
- Annual general meeting 2021 is planned to be held in Stockholm on 19 May 2021 at CET 15:00
- Report for second quarter 2021 (January – June 2021) on 10 August 2021
- Report for third quarter 2021 (January – September 2021) on 9 November 2021

Stockholm, 3 November 2020

Tethys Oil AB (publ)

Org. No. 556615-8266

Magnus Nordin
Managing Director

This report has not been subject to review by the auditors of the company

For further information, please contact:

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This information is information that Tethys Oil AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7:30 CET on 3 November 2020.

CONFERENCE CALL

Date: 3 November 2020

Time: 10.00 CET

To participate in the conference call, you may choose one of the following options:

Link to webcast: <https://edge.media-server.com/mmc/p/b7jjeja>

To participate via phone, please call:

Sweden: +46 8 566 426 51

Switzerland: +41 225 809 034

UK: +44 333 300 0804

United States (Toll-Free): +1 855 857 0686

PIN: 42669819#