

"We [the group of investors] believe that the management's ability to affect outcomes starts after the gross profit line, and therefore we ask what lessons the management/board has learned, and what lessons the management/board had to unlearn during 2020, with regard to ensuring the long-term endurance of Tethys Oil"

Answer

The response to that question is twofold.

Firstly, management does have the ability to affect outcomes above the gross profit line.

Tethys Oil's technical team work with the operator to ensure maximum efficiency in production. Following the pandemic and the fall in oil prices, OPEC+ instituted production quotas. At the same time as production was being optimised, work was carried out to reduce operating costs and expenditure programmes. Whilst a priority was maintained on running safe and efficient operations, some non-time critical work was deferred. This helped maintain gross profit as well as cashflow.

For the question about what lessons were learned – and indeed, in 2020 there were opportunity to learn many lessons, but the primary take for Tethys Oil was that we were reinforced in our long-term thinking and planning. So, among the lessons learned, that reinforced our thinking the following stand out:

We learned that our staff are truly good and adaptable. Not just our staff but those of our operator and partners. Working conditions became very difficult and trying over the last twelve months but we carried on operations and we carried on corporately.

We learned that we can communicate remotely and our travel decreased to virtually nil. But we have also learned that video conferencing will never replace personal contact and in-person meetings are essential, although maybe not as many as previously.

We learned that our focus on strong financial discipline was very beneficial. Tethys Oil has been seeking new opportunities over the past years but has always resisted the temptation to acquire something for the sake of an acquisition. So our position of no debt and a healthy cash balance has meant that we have had the confidence to expand our portfolio of assets during the toughest financial climate for 20 years.

We learned to be self-confident in our approach to Environment, Social and Governance issues. This industry is always going to be one that attracts criticism for its activities but the world needs our product, now and for a foreseeable future. I draw your attention to our Sustainability Report where we set out our approach to the ESG issues.

And we learned that not believing in accepted wisdom is the right way to go in the finding of hydrocarbons. The recently drilled exploration well Thaamen-1 was drilled in an area widely believed to be free of hydrocarbons. Tethys Oil's team however believed that they saw an opportunity for hydrocarbons to exist there. Whilst the outcome of the well has not been finally determined, we now know that the area has exciting potential and we look forward to working with EOG, our new farm-in partner.